

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

European Committee B

EU DRAFT BUDGET 2017

Monday 31 October 2016

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The Committee consisted of the following Members:

Chair: Ms KAREN BUCK

† Barclay, Stephen (*Lord Commissioner of Her Majesty's Treasury*)

† Dakin, Nic (*Scunthorpe*) (Lab)

† Fysh, Marcus (*Yeovil*) (Con)

† Gauke, Mr David (*Chief Secretary to the Treasury*)

† Grant, Mrs Helen (*Maidstone and The Weald*) (Con)

† Grant, Peter (*Glenrothes*) (SNP)

Hoey, Kate (*Vauxhall*) (Lab)

† Mackinlay, Craig (*South Thanet*) (Con)

† Rees-Mogg, Mr Jacob (*North East Somerset*) (Con)

† Reynolds, Jonathan (*Stalybridge and Hyde*) (Lab/Co-op)

† Streeting, Wes (*Ilford North*) (Lab)

† Williams, Craig (*Cardiff North*) (Con)

Clementine Brown, Katya Cassidy, *Committee Clerks*

† **attended the Committee**

European Committee B

Monday 31 October 2016

[Ms KAREN BUCK *in the Chair*]

EU Draft Budget 2017

4.30 pm

The Chair: Before we begin, I will briefly outline the procedure. First, a member of the European Scrutiny Committee may make a five-minute statement about the Committee's decision to refer the documents for debate. The Minister will then make a statement of no more than 10 minutes, and questions to the Minister will follow. The total time allowed for the statement and subsequent questions and answers is up to an hour. Once questions have ended, the Minister moves the motion on the paper; debate then takes place on that motion. We must conclude our proceedings by 7pm.

Does a member of the European Scrutiny Committee wish to make a brief explanatory statement?

4.31 pm

Mr Jacob Rees-Mogg (North East Somerset) (Con): It is a pleasure to serve under your chairmanship for the first time in a European Committee, Ms Buck. I will take a few minutes to explain the background to the documents and the reason why the European Scrutiny Committee recommended them for debate.

The draft budget sets out the Commission's proposals for EU expenditure in 2017. It is the first stage in the process of establishing the EU's budget for the following year and provides the basis for negotiations between the two arms of budgetary authority: the Council and the European Parliament. The Economic and Financial Affairs Council agreed its first reading position on the draft budget on 12 September; the European Parliament reached its first reading position on 25/26 October. A conciliation committee is to be convened to meet with the aim of reaching agreement on the 2017 budget by 17 November. This agreement will be subject to separate approval by both the Council and the European Parliament, after which the budget for 2017 will be deemed to have been adopted.

In addition to the draft budget, this year there are three other documents relevant to this debate. These concern the EU solidarity fund, which releases emergency financial aid following a major disaster in a member state or candidate country; the flexibility instrument, which provides funding in a given financial year for clearly identified expenses that could not be covered by one or more budget headings without exceeding their expenditure ceilings; and the contingency margin, a mechanism to react to unforeseen circumstances as a last resort instrument, which allows for a maximum 0.03% of EU gross national income to be redeployed between budget headings. The three draft decisions would mobilise the EU solidarity fund, the flexibility instrument and the contingency margin for sums included in the draft budget.

We suggest that among the matters that Members might explore are: how the UK's proposed exit from the EU affects its interests in relation to EU expenditure and revenues in 2017; the degree of support the Government

are receiving from other member states for a disciplined approach to next year's EU budget; whether the Government are satisfied with the proposed margins below multiannual financial framework ceilings; whether there are any particular programme expenditure proposals that cause the Government concern; the significance for budgetary discipline of the proposed mobilisation of the EU solidarity fund, the flexibility instrument and the contingency margin; and to what extent the use of the flexibility instrument and the contingency margin to help address the challenges of migration, refugee and security crises might involve the UK in justice and home affairs expenditure—for example, in relation to Frontex, for which we should not be liable.

It is the custom of the European Scrutiny Committee to recommend the draft budget for debate before the Council concludes its first reading. Regrettably, this debate is taking place long after the Council's first reading was agreed.

Finally, in a press release of 26 October, the Council set out the issues where the Council and Parliament disagreed: the Parliament wants the level of commitments in 2017 to be way above the multiannual financial framework expenditure ceilings; the Parliament wants the level of payments for 2017 to be above the estimated needs; the Parliament wishes to reopen the agreement on financing the European fund for strategic investments, which the Council considers would reduce the EU's financial leeway for meeting unexpected needs for research and other future-orientated expenditure; the Parliament wishes for its own staff reductions to be lower than the 5% reduction by 2017 already agreed; and there is disagreement on the scope of the conciliation talks themselves, which should be limited to the 2017 budget.

The Chair: I call the Minister to make an opening statement. I remind the Committee that interventions are not allowed during the statement.

4.34 pm

The Chief Secretary to the Treasury (Mr David Gauke): It is a great pleasure to serve under your chairmanship for the first time, Ms Buck. I am delighted to have the opportunity to discuss the 2017 annual budget proposal. The debate this year takes place within a context different from those of previous years, given the decision made by the British people to leave the European Union. None the less, today's motion focuses on the proposed EU annual budget for 2017. The Government are clear that until the UK leaves the EU it remains a full member and is subject to the same rights and responsibilities as other member states. That includes paying into the budget, participating in budgetary discussions and ensuring the best possible deal for the UK taxpayer.

The 2017 payments ceiling is the lowest annual ceiling in the 2014 to 2020 multiannual financial framework deal, showing how the 2013 deal continues to restrict the EU budget. The Commission's draft proposal was fully consistent with the MFF, with €157.7 billion in commitments and €134.9 billion in payments—a 6.2% reduction in payments on the 2016 budget. The Government have long argued for bigger margins in the annual budget to ensure that the Commission can be responsive to unforeseen events without having to request further funds from member states. The proposal aligns with that aim.

The 2016 deal achieved a margin of €800 million; this year, the Commission proposed a margin of more than €8 billion. The Commission's 2017 budget proposal includes some notable elements. First, it proposes an overall larger heading "1a" within an overall smaller budget. The increased appropriations go towards a top-up of the European fund for strategic investments, which the UK supports as a way of leveraging EU budget resources effectively, and increases in other programmes.

Secondly, the proposal focuses firmly on supporting measures intended to tackle the migration crisis. Those include a number of internal measures, such as a European border force and coast guard and strengthened border management, and external measures, such as increased assistance to host countries dealing with migration outside the EU and actions to address the root causes of migration.

The Commission's proposal is, of course, just one part of the overall negotiation. The Council set out its position in September. In Council discussions, the Government continued to argue for budgetary discipline. Working with our like-minded budget disciplinarian allies, we influenced the Council position to agree a further cut of €1.3 billion in commitments and €1.1 billion in payments on top of the Commission's proposal.

The Commission's amending letter, published on 17 October, makes some regular adjustments to take account of the most recent information about expenditure and revenue in headings 2 and 5, and takes account of some of the mid-term review proposals. The main changes include commitments for additional measures on migration, such as kick-starting a new partnership framework process with third countries and developing a guarantee fund as part of the external investment plan.

There are several additional commitments in the flagship heading 1a programmes. The Commission proposes borrowing commitments from future years in the MFF in order to fund those commitments, consistent with the overall seven-year MFF ceiling. Proposed payments are still almost 6% lower than in the 2016 budget, and margins of €7.5 billion have been achieved—much higher than what has been achieved in previous years. Moreover, there remains much to negotiate. We will argue that, where relevant, the Council's suggested cuts in September also apply to the new proposal.

The European Parliament set out its position on 26 October, arguing for a principled reversal of the Council's cuts and the increasing of the Commission position by €4.8 billion in commitments and €3.1 billion in payments. That is not surprising. Every year, the European Parliament exceeds the Commission's position, and particularly the Council's position, by several billion euros. Some member states may support elements of this, but, typically, negotiations conclude with more realism, and often below the Commission's proposal. The conciliation period for an agreement between the Council, Commission and the European Parliament began on 28 October, with the budget ECOFIN expected on 16 November.

As well as the Commission's draft budget 2017, a number of related documents have been listed for debate. I shall address them in turn. First, the proposal for the mobilisation of the flexibility instrument, which exists to respond to events and financing needs not foreseen at

the start of the seven-year budget period. In the draft 2017 budget, heading 3 was short on commitments to finance measures to manage the migration, refugee and security crisis. The use of the flexibility instrument and contingency margin allows heading 3 to accommodate such extra requirements, while still retaining an overall commitments margin.

The mobilisation of the contingency margin is also appended in the draft budget and amending letter to meet the challenges. The Commission's proposed mobilisation of the contingency margin this year provides additional commitments totalling €1.1 billion through redeployments from unallocated margin in heading 2 and heading 5, and in addition borrows under €800 million from the following two years. It is therefore simply a mechanism to move money around the seven-year budget.

As we have said in the past, the Government support EU-wide efforts to tackle the migration and refugee crisis from within existing MFF ceilings, and in this case these instruments provide a means of meeting emergency funding requirements without calling on member states for additional resources outside of the MFF ceilings.

A separate document proposes that €50 million in commitments and payments of the European Union solidarity fund, the EUSF, be included as part of the 2017 annual budget. This is standard practice, in accordance with the EUSF regulation as amended in 2014. We support the principles of the EU solidarity fund in providing support when an EU country is seriously affected by a major natural disaster. Mobilisations of the EUSF for specific instances of natural disaster in individual member states require a qualified majority voting decision in Council.

The final position on the annual budget is dependent, as I described earlier, on negotiations, and the outcome will ultimately be decided by qualified majority voting in the Council in agreement with the European Parliament. Today I hope the Committee will support the passing of today's motion, which gives the Government a mandate to continue to work with like-minded member states in pressing for necessary restraint in the final stages of the 2017 budget negotiations this autumn.

The Chair: We now have until 5.34 pm for questions to the Minister, should the Committee wish to avail itself of that opportunity. I remind Members that brevity is to be commended.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): It is a pleasure to serve under your chairmanship today, Ms Buck.

The motion begins by referring to the European Union solidarity fund. As colleagues will no doubt be aware, the European Union solidarity fund was set up to respond to major natural disasters and to express European solidarity with disaster-stricken regions in Europe. Indeed, the UK was a beneficiary—

The Chair: Order. This is an opportunity for questions to the Minister, not for a statement.

Jonathan Reynolds: The UK was a beneficiary of the solidarity fund to the tune of £127 million during the 2007 floods, which I am sure many hon. Members

[Jonathan Reynolds]

remember. None the less, the Government's position on the European Union solidarity fund has continued to be unclear. Last September, the Chief Secretary said that the Government were broadly,

"supportive of the principles of the EU solidarity fund in providing support when an EU country is seriously affected by a major natural disaster."

However, he then said he did not,

"believe that new pressures should necessarily lead to requests for new money from member states".—[*Official Report, European Committee B*, 14 September 2015; c. 4.]

More generally, by next year the EU will begin to look at the allocation of the next tranche of funding—

The Chair: Order. I encourage the hon. Gentleman to go straight to questions.

Jonathan Reynolds: Thank you, Ms Buck.

First, will the Minister outline the Government's long-term plan with regard to the European Union solidarity fund and the UK's relationship with it? Secondly, will the Government today confirm whether they have plans to carry out regional assessments looking at the Brexit impact on regions in terms of job creation, business activity and infrastructure projects forgone? Thirdly, is it the Government's intention to develop a long-term replacement system of regional funding? Can the Minister confirm that this system will retain the seven-year tranche structure, as outlined, which allows long-term projects to flourish—

The Chair: Order. I remind the hon. Gentleman that he has the opportunity to ask supplementary questions, but it might be best to ask a question, allow the Minister to respond and then ask supplementaries.

Jonathan Reynolds: I see. I thought the Minister preferred them all at once.

Mr Gauke: I welcome the hon. Gentleman to his position on the Front Bench. I will deal with regional funding and assessments and also his point on the European Union solidarity fund. We are supportive of the principles of the European Union solidarity fund in providing support when an EU country is seriously affected by a major natural disaster. I make the point—it is a general point that may apply to several of his questions—that it is right that the EU prioritises its expenditure in the way that provides the most value for money and achieves the most for the people of the European Union. It is therefore right that through sound financial management, the EU frees up resources so that it can respond to natural disasters, and the solidarity fund is a means by which it is capable of responding.

The hon. Gentleman asked about the impact of Brexit and in particular the applications to regional funding. At this stage, I cannot say much more than the points we have already made about the support that we have provided for measures that have been announced. Essentially, the Government have agreed to guarantee projects entered into before the autumn statement. Anything that is entered into subsequent to the autumn statement

but before we leave the European Union will be supported to the extent that it provides value for money and is consistent with the Government's priorities. On regional assessments, all I can say at this point is that we will take into account the regional impacts when looking at our future position and determining our future priorities.

Jonathan Reynolds: I have just one more question. In preparing the Government's statement to the Committee, what conversations have Ministers had with the devolved Administrations—in particular those in Scotland, Northern Ireland and Wales, where issues relating to the EU budget are particularly sensitive?

Mr Gauke: I am sure that it will not have escaped the hon. Gentleman's notice that there were several meetings this time last week between the First Ministers of all the devolved Administrations, the Prime Minister and several colleagues, and I met the Finance Ministers on Monday afternoon. There is obviously significant interest from the devolved Administrations in these matters, which were discussed. Where the devolved Administrations sign up to structural investment projects under their current EU budget allocation prior to Brexit, we will ensure that they are funded to meet those commitments. It will be for the devolved Administrations to decide what criteria they use to assess projects, in line with the devolution settlements.

Peter Grant (Glenrothes) (SNP): I have three questions, which I will ask together and allow the Minister to deal with together. First, following up on the answer that he has just given about consultation with the devolved Administrations, I did not hear him say specifically what discussion there has been about the EU budget. He has indicated what will happen once the EU budget has been agreed and allocated, but can he clarify what discussions, if any, there were with the devolved Administrations prior to the Government beginning the process of agreeing the 2017 budget?

Secondly, in his explanatory memorandum of 11 July, the Minister did not tell us whether the Government supported the Commission's proposals. What he has said today implies that the Government supported them at that early stage. Can he confirm that and tell us when the Government came to that position? It seems to me that if it was the Government's position before 11 July that they would support the Commission's proposals at the first reading stage, they should have told the European Scrutiny Committee that, so I am interested to know when they reached that position.

Finally, the budget still has to go through a number of further processes. The Minister reminded us that, as often happens, the Council and the European Parliament have different views about what they want in the final budget. It appears from the Minister's comments that the Government are looking for the Commission's proposals or less—certainly not any more. Given that there is disagreement with the directly elected European Parliament, will the Minister give a commitment that this will be brought back again and will go through the full scrutiny process, and that any requests of the European Scrutiny Committee will be complied with before the Government commit to supporting either the European Parliament's proposals or some compromise thereon?

Mr Gauke: I thank the hon. Gentleman for his questions. The EU budget as a whole is a matter for the United Kingdom and, as I say, there is regular communication. This time last week, I was in discussions with the Finance Ministers of Scotland, Wales and Northern Ireland, and issues relating to EU funding were relevant to those discussions. The position of the United Kingdom in respect of the EU budget is determined by the United Kingdom Government.

On our position on this year's proposal, let me make it clear that what the Commission proposed is consistent with the seven-year multiannual financial framework, which was agreed in 2013. That was a significant achievement, because it reduced the EU budget for the first time. Some felt that the previous Prime Minister, David Cameron, would not be able to achieve that, but he did. That was consistent with this proposal.

The negotiations are live, so it would not be appropriate for me to give away our position prematurely, because that might reduce our chances of achieving the outcome that we want. The Government's approach will be the one we have always taken in such circumstances: we will continue to push for maximum budget restraint and value for money to minimise costs for taxpayers. I hope that will have the support of all Committee members.

Scrutiny of the annual budget takes place on the Commission's proposals. The proposals move very quickly and frequently, so timescales do not allow for a further round of scrutiny. The motion sets out the Government's overall approach of seeking the best possible value for money, and I hope it has the support of all members of the Committee.

Wes Streeting (Ilford North) (Lab): It is a pleasure to serve under your chairmanship, Ms Buck.

I want to follow up on consultation. The Minister outlined the way that the Government are interacting with the Scottish and Welsh Governments, but will he outline what the formal mechanisms are for consultation with the Mayor of London? Clearly, a range of issues relating to our impending departure from the European Union will have a huge consequence for London and, as a direct result of that, will reach right across the United Kingdom. It is only right and proper that the Mayor of London or a suitable representative has a seat at the table.

Mr Gauke: I suspect that the hon. Gentleman is touching on issues wider than this debate. I suspect that he is not specifically asking about consultations with the Mayor of London on the EU budget proposal for 2017, about which, as far as I am aware, the Mayor of London has not expressed an opinion, but I may be wrong—perhaps I should check that.

On the wider issue of the EU, Brexit and the position of London and its Mayor, all I can say today is that there are regular conversations between the Treasury and the Mayor. Without revealing too much about the diaries of the individuals concerned without their permission, meetings occur, and there is one in the not-too-distant future.

Wes Streeting: I am grateful for the reply. To bring us back firmly within the scope of the budget, my hon. Friend the Member for Stalybridge and Hyde talked

about analysis of the EU budget's regional impact. Obviously, there are longer-term questions about replacing expenditure that currently benefits the regions and nations of the UK. What plans do the Government have to publish their analysis of the regional benefits and risks presented by Britain's membership of the European Union, and of the risks presented by leaving the European Union, so that we can have an informed debate? A seemingly endless number of Government debates have been scheduled, but we will have those debates in the dark, as the Government seem reticent about publishing any relevant information about the benefits or risks of the negotiations.

Mr Gauke: I point out that the Government published a lot of information during the referendum debate. That information was made available to the British people, and I do not want a repeat of that debate. The British people made a decision, though it might not have been the decision that the hon. Gentleman or I campaigned for, and we have to respect that. The Government are looking at various options, so that we can make a success of the decision that the British people have made. There will be different regional implications, one assumes, of the United Kingdom leaving the European Union, but the Government are determined to ensure that this is a success for every part of the United Kingdom, and I am sure that the hon. Gentleman and every member of this Committee supports that.

Wes Streeting: This is my final question, I promise. I suspect that like me, the Chief Secretary campaigned to remain in the European Union, but accepts the result and now wants to get the best possible deal. As parliamentarians and the general public determine the best possible deal, can we take it that all Treasury documents published prior to the referendum—including all their figures and assumptions—are ones that we should stand by and use to inform the debate?

Mr Gauke: I fear that the hon. Gentleman wants to take me down a path that is a little way away from the motion in front of us. We are in new circumstances. The determination of the Government is to ensure that we deliver the best possible outcome for the British people in the negotiations with the European Union and in our relationship with the EU and other parts of the world, post-Brexit. That is our focus.

Mr Rees-Mogg: I was going to sit quietly for once, but the questioning has gone along a certain line. May I remind the Chief Secretary to the Treasury that the Chancellor, in front of the Treasury Committee, said that the reports before 23 June no longer applied, because their assumptions were out of date already? We therefore do not have to work on the maxim of gloom and nonsense that came from the Treasury at that point, and can look to the broad sunlit uplands. One thing we can be certain of is that once we leave, we will no longer have to pay into the budget, will not be part of the multiannual financial framework, and will not have to have these debates any more.

Mr Gauke: As one who was on a different side of the debate earlier this year, let me say that if there was a cloud, there is certainly a silver lining.

Motion made, and Question proposed,

That the Committee takes note of European Union Document No. 10763/16, a Proposed Decision on the mobilisation of the European Union Solidarity Fund to provide for the payment of advances in the general budget of the Union for 2017; No. 10764/16, a Proposed Decision on the mobilisation of the Flexibility Instrument to finance immediate budgetary measures to address the on-going migration, refugee and security crisis; No. 10765/16, a Proposed Decision on the mobilisation of the Contingency Margin in 2017; unnumbered European Document, Statement of estimates of the European Commission for the financial year 2017; supports the Government's efforts to limit the size of the EU Budget in order to get the best deal for UK taxpayers; welcomes the fact that the 2017 Draft Budget respects the Multi-Annual Financial Framework agreement; further welcomes the reduction in payments in the 2017 Draft Budget compared to the 2016 Budget; and notes that the 2017 Draft Budget achieves a greater margin in payments than in 2016.—(*Mr Gauke.*)

4.59 pm

Jonathan Reynolds: I seem to be finally getting the hang of European Committees, just in time for us to leave the European Union.

From the Opposition's perspective, it seems that we still do not have the information required, particularly on how the Government will manage the interactions between the obligations that they will enter into in the EU budget period we are looking at and our eventual exit from the European Union. There are many questions. The Government still need to inform the British public about their negotiating strategy for Brexit, but in particular, in relation to these documents, they must give an answer on the shortfall in funding to those parts of the UK that will be affected by our exit from the EU regional development fund and the European structural fund. I look forward to those answers coming forward in the months ahead.

5 pm

Peter Grant: I find myself in a strange position on two counts. I find myself facing a room of Conservative MPs, and I am the one who feels that he has to speak in defence of the UK Parliament. It is more than unfortunate that another substantial document coming out of the European Union—possibly the most important strategic document of the year—is not getting sufficient parliamentary scrutiny in this place from a Government who are taking us out of the European Union because they, or apparently the people, are so fed up with decisions being taken over there, instead of over here.

The irony is not lessened by the fact that year after year, these big, bad, evil, unelected bureaucrats in the European Commission put forward one set of proposals, and our directly democratically elected representatives in the European Parliament put forward another—and Governments go along with the unelected bureaucrats, and support the Commission's proposals. The irony is therein; I do not attempt to explain it.

We should not look at this in isolation, because those of us who are members of the European Scrutiny Committee and anyone who follows the Committee's work will know that there is a huge list of important issues that we have asked Parliament to debate, either on the Floor of the House or in Committee. On some of

them, we have been kept hanging on for ridiculous lengths of time. The scrutiny of the comprehensive economic and trade agreement in the past week or two is simply the most recent and one of the worst cases of that.

I asked the Minister to give assurances that the European Scrutiny Committee would be given the chance to scrutinise the budget, because once it is decided, we are stuck with it. I am not saying that we should necessarily try to get everyone in the House of Commons to agree to every detail of the budget, but this is not a good way to demonstrate that the Government believe in parliamentary oversight of any European document, least of all one with such substantial financial implications.

I remind Members that the Government had these documents on 30 June, and it took 11 days for the Minister to produce an explanatory memorandum, which explained nothing and was not memorable. The memorandum effectively regurgitated a whole pile of numbers from the original documents, but it still took 11 days to do that. The European Scrutiny Committee then took two days to consider that; it had very little time to consider it properly. It has since taken 15 weeks for this debate to be called, and we are now told that there will not be time for further scrutiny before the process has to be completed.

I understand that there are pressures on parliamentary time—I certainly would not have been jumping up and down, demanding to be brought back in the middle of August for a half-day debate on this subject on the Floor of the House—but it frustrates and angers me that so much of the argument about the European Union was about decisions being taken in the wrong place when this Government, and, I have to say, previous Governments, simply have not played ball with Parliament's own scrutiny processes. That has been a significant factor in making people believe that the lack of transparency is all Europe's fault, when in fact much of the responsibility lies in this place.

My second major concern is that despite being asked twice about discussions with the heads of the devolved nations, the Government clearly have not discussed the budget with them. The Minister referred to the talks held last week. If I remember correctly, Nicola Sturgeon described the meeting as deeply frustrating and said that those who took part knew no more when they came out than they had when they went in. She did not say that it was a complete waste of time, but anyone who read her comments or those of the First Minister of Wales would have got that distinct impression. That does not show respect for other nations in the United Kingdom, or give any credibility to the claim that we are all equal partners.

I fully understand that EU relations are reserved to the United Kingdom Parliament and Government, but it is not good enough for the Government to fail to discuss these matters with the devolved nations simply because, constitutionally, they do not have to. We have not been given any assurance that there will be further scrutiny of these documents before the Government come to a decision, and they will probably support the unelected bureaucrats, rather than the elected MEPs. I was sorely tempted to vote against the motion, simply to put on record how unhappy I am about this, but I probably will not.

Finally, in his explanatory memorandum, the Minister helpfully converts the UK's expected share of the total EU budget from euros to pounds. Our share is expected to be just over 13% of the total—about €20.5 billion. On the day on which the Minister wrote to the European Scrutiny Committee, sterling was worth about €1.21, so our share would have been just under £17 billion. Today, the pound is worth just under €1.11, so our share has gone up to £18.5 billion. Ironically, simply because of the collapse in sterling caused by the Brexit vote, it looks like the cost of us being part of the European Union next year will be £1.5 billion more than it should have been.

Hopefully, when summing up, the Minister will confirm whether the Government want to maintain the fiction that the falling price of sterling is somehow good for British taxpayers, because if sterling stays where it is, British taxpayers will spend £1.5 billion more on the European Union than we needed to. That, I suspect, is why the £350 million a week for the health service will never materialise, and the promises made will never be kept—because that money has evaporated. It is sitting in an offshore account belonging to some billionaire speculator by now. The Government have tried to tell us that the fall in sterling is somehow good for British business. I want to hear the Minister say whether he thinks it a good sign that the cost of the UK's EU membership next year will be £1.5 billion more than it was when he wrote his explanatory memorandum.

5.7 pm

Mr Gauke: I thank members of the European Scrutiny Committee for selecting the documents for debate. EU budget negotiations are a challenging process. The budget will ultimately be decided by a qualified majority in the European Council, in agreement with the European Parliament. That said, I am pleased to say that the Commission's proposals are fully consistent with the multiannual financial framework, and achieve a much higher payment margin than they did in previous years.

I disagree with the hon. Member for Glenrothes, who characterised the debate as us siding with the Commission as opposed to the Parliament, and says that that is somehow undemocratic. The true democratic voice in the European Union is that of the European Council; it

is made up of member states' Governments, which are, after all, the institutions responsible for collecting taxes, and which are held to account by their public.

I am pleased to say that the Council has, in recent years, looked for greater fiscal discipline, and has supported measures that have resulted in the MFF being lower in this seven-year period than in the previous one. The British Government have made it clear that we support that, and we look to ensure fiscal constraint. The fact that the European Parliament takes a different view does not give it a greater mandate and allow it to overrule the position of member states' Governments, and the British Government's position has been made clear to Parliament.

We are committed to keeping the European Scrutiny Committee updated as the proposals evolve. In my opening speech, I highlighted the European Parliament's position, which is publicly available, and we will shortly submit a further explanatory memorandum on the updated Commission proposal. A deal is often struck at short notice. It has been known to be done rather late at night—I have personal experience of that. As I said earlier, the budget ECOFIN is scheduled for 16 November.

As for our priorities for future spending, I have made clear what we are doing about providing guarantees for future funding. However, we will want to take our own decisions on spending once we have left the European Union. We are consulting closely with interested parties in considering what future spending priorities will look like, but the British people have made a decision and, on this spending, we are taking back control, to coin a phrase.

While we remain in the European Union, we will continue to champion the need for an efficient EU budget that provides good value for the UK taxpayer, and press firmly to ensure fiscal discipline by limiting budget size to deliver the MFF deal. In doing so we will work with like-minded allies to deliver the best EU budget deal possible within the parameters of the negotiation. We will, of course, keep members of the Committee updated, as I said. I welcome their continued interest in this important issue.

Question put and agreed to.

5.11 pm

Committee rose.

