

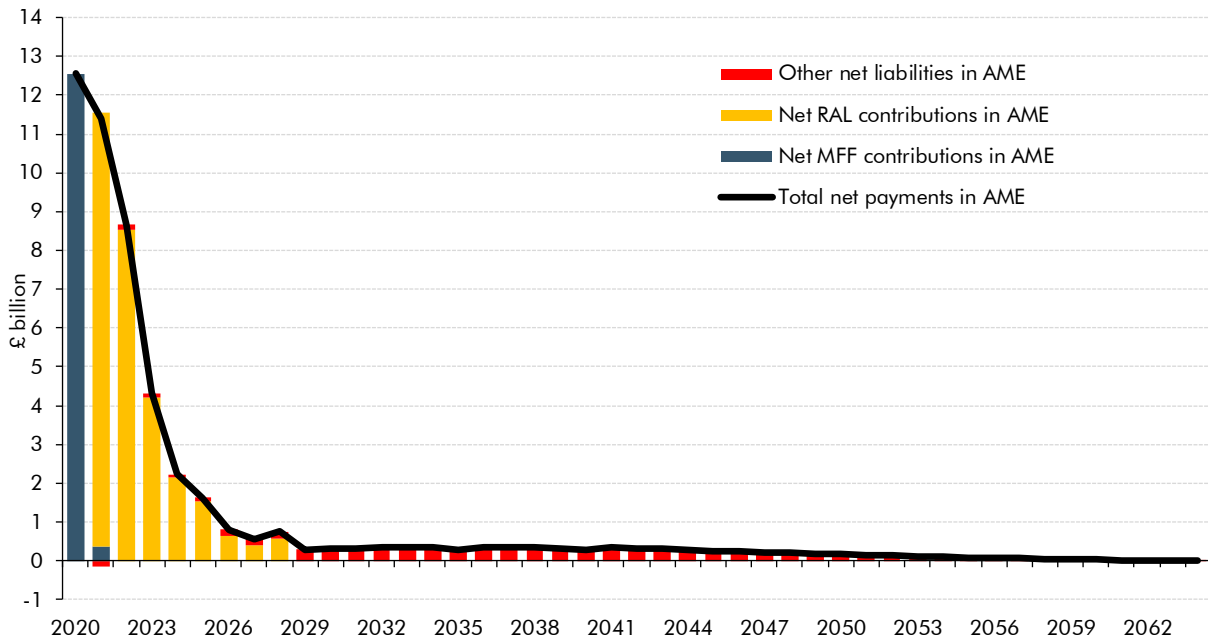
19 March 2021

Supplementary forecast information release

EU financial settlement: breakdown of forecast

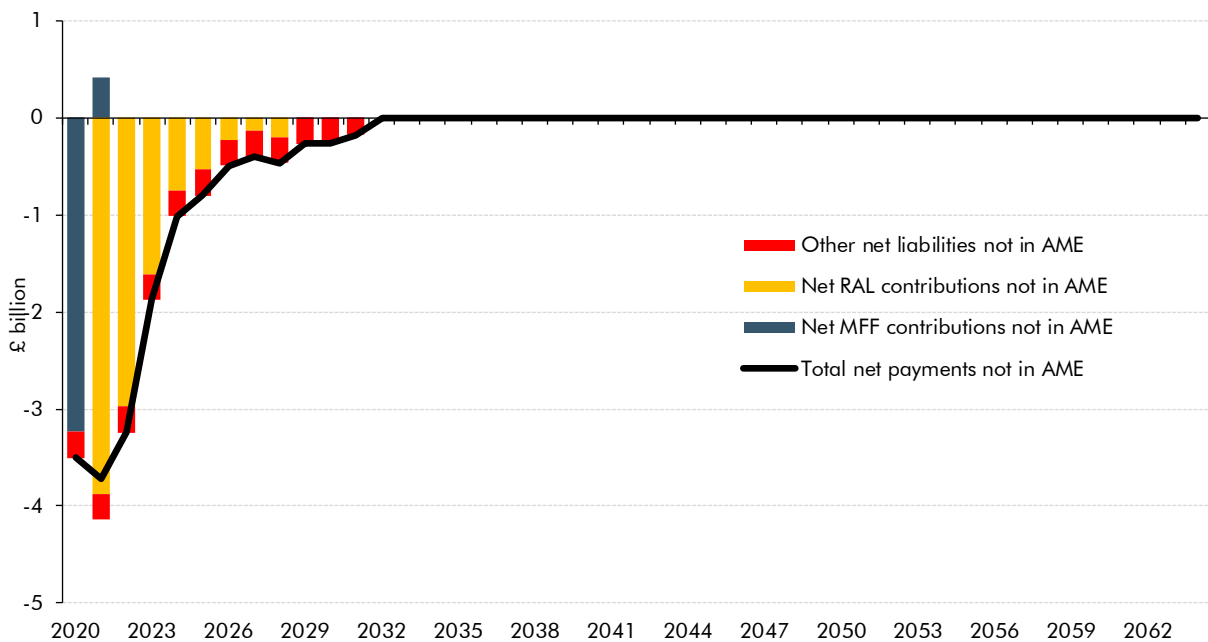
- 1.1 The OBR is releasing this information following a request for further detail on the information presented in our *March 2021 Economic and fiscal outlook (EFO)* in respect of the breakdown of our EU financial settlement forecast between fiscal and non-fiscal expenditure. We will, as far as possible, meet any requests to release supplementary forecast information where this will improve the quality of public debate on the public finances. Our full release policy is available on our website.
- 1.2 The EU financial settlement has three main components: net contributions during the 2014-20 multiannual financial framework; net payments relating to the *reste à liquider (RAL)*, the outstanding commitments from the multiannual financial framework at the end of 2020; and several other assets and liabilities, itemised in supplementary expenditure table 3.14 of the *March 2021 EFO*. We also discussed changes to the cost of net expenditure transfers relating to the EU financial settlement in paragraph 3.107 of the *March 2021 EFO*.
- 1.3 Not all financial flows of the settlement form part of government spending in the form of annual managed expenditure (AME), as discussed in Annex B of our *November 2017 EFO*. Specifically:
 - Budget and RAL receipts that flow directly to the private sector rather than to the UK government are deducted from the cost of the settlement for the UK as a whole, but are not in AME as they are not UK government spending;
 - Budget and RAL receipts that flow through the UK government are also deducted from the cost of the settlement for the UK as a whole. They are not part of AME, but instead are income for departments which administer them. We assume that all this income is spent, and therefore it does not affect our fiscal forecasts; and
 - Capital returned to the UK government from shareholdings in the European Investment Bank and European Central Bank are financial transactions, and therefore do not affect public sector net borrowing and are not in AME.
- 1.4 Charts 1.1 and 1.2 show the paths of both the AME and non-AME components of the EU financial settlement over its assumed lifetime. The figures underlying these charts are available in the accompanying spreadsheet.

Chart 1.1: Assumed annual path of EU financial settlement payments in AME



Source: OBR

Chart 1.2: Assumed annual path of EU financial settlement payments not in AME



Source: OBR