

## **ANNEX**

### **What do you see as the rationale for having an EU Budget?**

The EU Budget is required to provide a transparent framework for spending across the EU areas of activity and to impose greater discipline on agreed budget ceilings. It is also necessary to keep payments in line with implementation capacity to achieve greater value for money and to promote sound financial management.

As EU budgets are agreed through both commitment and Payment appropriation ceilings this allows for a level of multi annual planning by the EU but also allows for control of levels of actual expenditure.

The area of the budget framework most relevant to NI is that allocated to Cohesion Policy

### **What are your views on the appropriate roles of national and European institutions, particularly the voting rules and relationship between the domestic and European Parliaments, the Council and the Commission, in agreeing the EU Budget?**

The roles allocated to national and European Institutions provides the democratic process for the Budget Process. The European Commission proposing its budget either for a 5/7 year planning period or on an annual basis covering a range of proposed policy and programmes. It is important that these proposals are then scrutinised by the elected representatives from the partner Member States in the European Parliament and the European Council and that they approve the spending plans a system much like that of the UK or NI system.

### **What are the advantages and disadvantages of having unanimously-agreed long-term budget periods? How long should they be?**

In terms of advantage certainly for the Commission Services is long term planning– they are currently operating on a 5/7 year cycle which they can look to fund longer term objectives though this can prove difficult for Member States in terms of year on year financial commitment.

In the case of Northern Ireland the EU's planning process can be challenging where we are asked to provide longer term commitments to our OP's beyond the current 3 year Budget cycle we in Northern Ireland operate. I do not believe the cycle should be longer than the current arrangements

### **What are the advantages and disadvantages of the existing system of commitments and payments? Can you think of a way to improve that system?**

The advantages of the current commitment and payments system using the N+2 discipline is that spending is happening on a more even yearly basis than in previous EU funding rounds. There were no financial penalties therefore spend was often end loaded in Operational Programmes leaving little time to take corrective action to ensure financial targets were met.

On the other hand funding decisions in the last and current round of funding are often felt to have been dictated not by the strength or need for the project but on its capacity to meet N+2 spending targets.

There is some easement going forward where an N+3 target is envisaged however removing the principle of this financial discipline entirely would not be beneficial in encouraging timely spend.

**What are your views on the current financial management system, in particular the Discharge process, in ensuring EU Budget Funds are properly spent and audited?**

Independent scrutiny of EU spending is crucial to prevent errors. The European Court of Audit audits the EU accounts each year both in terms of revenue and spending. These reports are in my opinion correctly brought to the national Governments attention through Budget Scrutiny Committees and the matter is brought to Parliament to give clearance or discharge on accounts and budget – this scrutiny is important to ensure that the elected representatives who approved the Budget in the first place then have an opportunity to scrutinise its use and ultimately sign off the process.

**What are the advantages and disadvantages of having some expenditure, including to provide flexibility, held off-budget?**

Having resources held off budget but which can be mobilised if needed allows the EU to react to emergency or unforeseen circumstances – there are 4 funds currently available for that purpose – it might be difficult to reach consensus on other flexibilities without recourse back to European Parliament/Council for ratification which could cause delays negating the flexibility sought.

**In your view is the EU Budget focussed on areas of EU added value in expenditure?**

The EU Budget focuses on the following areas:

- That it should only act where there are clear additional benefits from collective effort compared with action solely from individual Member States;
- That any EU action where needed is proportionate and flexible; and
- That the highest standards of financial control and independent audit are applied alongside continuing budget discipline

**What models of expenditure (e.g. bid based expenditure, automated expenditure, loans, grants) in the budget represent the most effective use of EU Funds?**

EU funds need to be flexible to address varying needs across the range of Member States now in the European family who are at differing stages of development.

Repayable loans appear to be the Commissions preferred option going forward in the post 2014 period as it gives a rolling return not achieved through a one off grants system. In developing Operational Programmes however one size does not always fit all and while we plan to use repayable loans in our developing OP's, particularly ERDF, it is likely we will maintain some aspects of funding using the traditional grant method.

**What are the arguments for and against increasing or decreasing the degree of national flexibility in spending money allocated to Member States under one part of the EU Budget in other parts of the budget?**

This will depend very much on the view of the elected representatives in the European Parliament and European Council. Increasing national flexibilities might be welcome at national level but I would imagine they would have concerns about how the control and scrutiny process would be carried out – who would decide on increases or decreases proposed? There seems little purpose to the lengthy negotiations on the budget process if Member States could then increase and decrease at will.

One possibility could be an agreed +/- tolerance at budget heading or OP level, similar to that used by the Commission at the end of an OP where over spending priorities can be offset by underspending priorities to a tolerance of +/- 10% within an overall programme total.