CONTRIBUTION TO HM TREASURY'S REVIEW OF THE BALANCE OF COMPETENCES BETWEEN THE UK AND THE EU IN EU BUDGETARY MATTERS

Under the current, post-Lisbon formal arrangements (Art. 312 TFEU) the European Union's multi-annual financial framework (MFF) covers a lengthy period (at least five years) and is adopted unanimously by the Council once the European Parliament has given its consent by an absolute majority of its component members. The Council may be authorised to adopt the MFF by qualified majority voting but only after the European Council has made a unanimous decision to that effect. Although the need for a unanimous decision in the Council(s) gives the impression of maximum control by UK governments over the shape of the MFF, two significant implications flow from these provisions of the treaty which successive British governments have consistently supported.

First, unanimity makes reform nearly impossible in an EU composed of 28 member states, despite the well-known fact that the EU's budgetary priorities (that currently favour disproportionately expenditure on the common agricultural policy) need dramatic reform. Put simply, since *all* member states have veto power, reaching an agreement must satisfy the preferences of both those who do and those who do not want reform; it promotes, at best, the logic of the lowest common denominator. History shows that qualified majority voting in the Council actually facilitates reform. Indeed, a key reason why the Single European Act extended the scope for the use of qualified majority voting in the Council was precisely to ensure the smooth adoption of the legislation that made the single market a reality. Second, unanimity promotes (or at least sustains) the logic of *juste retour* as well as the UK's rebate, the two being two sides of the same coin. However, if this logic – which seeks to even out the amount that each member state is thought to contribute and the amount that it is thought to receive – persists, having an EU budget that covers anything beyond the cost of actually running the EU's infrastructure and administration is nonsensical. If, conversely, the EU's budget is in need of reform at least in terms of the priorities that it reflects, the UK taxpayer's interests are better served by the absence of the veto and the creation of majorities in the Council in support of reform.

In addition, under the current formal arrangement, the decisions regarding the content and the overall size of the multi-annual financial framework cover a lengthy period, a minimum of five years though the decisions made in 2013 (like the corresponding decisions made in the past) will in fact cover a seven-year period ending in 2020. However, this period does not coincide with the EU-level electoral cycle. This means that EU-level decision making on the MFF is highly problematic from the point of view of EU-level democratic politics. Indeed, last year's decision on the 2014-2020 MFF was based on a proposal by the *outgoing* European Commission and required the consent of the *outgoing* MEPs - *not* those who will be elected (or appointed, respectively) in 2014 - although the EU's annual budgets till 2020 will need to remain within the limits set by the MFF. Given this and the notion (which has, until now at least, been shared by some British governments) that the EU budget ought to add EU value, it makes sense to synchronise the period that is covered by the MFF with the European Commission's and the EP's five-year terms of office. That way two of the institutions that have a significant role in the making of the MFF would perform their role on a potentially more explicit democratic mandate, but – far more importantly – this reform would enhance the ability of ordinary EU citizens to engage with the EU-level democratic process (and do so on genuinely EU-wide matters) and give them a real and visible stake, and a concrete reason to vote in European elections thus increasing turnout and reducing the perceived distance between them and EU-level institutions and decision making that is often thought to be too remote and unintelligible. Conversely, if EU added value is genuinely the key to the EU's budget, why shouldn't these decisions have a far firmer EU-wide democratic grounding?

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