



HM Treasury

The European Union Finances Statement 2024:

Statement on the implementation of the Withdrawal Agreement



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2024:

**Statement on the implementation of the
Withdrawal Agreement**

Presented to Parliament by the Chief Secretary to the
Treasury by Command of His Majesty

March 2025

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Chapter 1

Introduction

- 1.1 The United Kingdom (UK) left the European Union (EU) on 31 January 2020 following the Agreement on the Withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (WA).
- 1.2 This was followed by a transition period until 31 December 2020 in which the UK was no longer a member of the EU but remained a member of the Single Market and Customs Union. During that time, it continued to be subject to EU rules and obligations to contribute to the EU Budget as agreed in the WA.
- 1.3 This European Union Finances Statement (EUFS) reports on the implementation of the financial elements of the WA (the 'Financial Settlement'), in which the UK and EU agreed to settle liabilities to each other arising from the period of the UK's membership. This edition of the EUFS focuses on the period 1 January to 31 December 2024. It gives a breakdown of the invoices received from the EU, setting out payments made in 2024. It then covers the UK's processes to verify that the invoices are correct. The document also provides a forecast of the UK's outstanding liabilities.
- 1.4 Annex A compares HM Treasury's forecasting methodology with those of the Office of Budget Responsibility (OBR) and the European Commission (EC). Annex B outlines cumulative payments and receipts under the Financial Settlement.
- 1.5 As the UK-EU financial relationship evolves and UK commitments change, the EUFS must evolve to represent relevant, updated information. This edition follows the precedent of last year's edition, to ensure HMT accurately reflects commitment changes and updates to government reporting, whilst improving clarity.
- 1.6 The EUFS focuses on payments due under the WA. It does not therefore cover other payments made to the EU, for instance under the Trade and Cooperation Agreement. These are reported in the relevant departments' annual report and accounts and as part of normal budgetary disclosures.
- 1.7 Payments relating to UK association to the EU programmes Horizon Europe and Copernicus are the responsibility of, and reported by, the Department for Science, Innovation and

Technology. Payments relating to the Peace Plus programme are the responsibility of, and reported by, the Northern Ireland Office.

Chapter 2

Payments in 2024 and Assurance Framework

Overview of the Withdrawal Agreement (WA)

- 2.1 The WA sets out the UK's rights and obligations under the Financial Settlement. This is based on three agreed principles that ensure a fair deal for UK taxpayers.
- 2.2 The UK will not finance any commitments that it would not have funded if it had remained a Member State and will receive a share of any financial benefits that would have fallen to it had it remained a Member State.
- 2.3 The WA establishes the UK's share of EU obligations in the settlement. From 2021 onwards this is the average of its share of the EU budget (taking into account the rebate) over 2014 to 2020.
- 2.4 The UK will not be required to incur expenditure earlier than would have been the case had it remained a Member State, although the WA allows for exceptions to be made in a number of specific cases where it might be in both sides' interests to settle costs early. For example, for pensions, where costs will decline steadily over a long period of time, the UK has the option of early settlement of its outstanding liabilities.

The European Union Withdrawal Agreement Act 2020

- 2.5 The European Union (Withdrawal Agreement) Act 2020 (WAA) implemented the WA into domestic law. Section 20 allows the government to meet the financial obligations set out in the WA. The majority of net liabilities arising under the WA going forward will be met from HM Treasury's Supply Estimates and recorded in the department's annual report and accounts.
- 2.6 The exception is for payments related to Traditional Own Resources (TOR), which must be paid separately from the Consolidated Fund using a standing service provision which has been maintained for that purpose. This is because TOR payments consist of customs duties historically collected by the UK acting as an agent for the EU.

The Payment Process

- 2.7 Under the WA, the EU issues two invoices each year - one in April and the other in September. The April invoice is paid in four equal monthly instalments from June to September. The September invoice is paid in eight monthly instalments from October to May. Liabilities are settled in Euros at the exchange rate prevailing on the date of each monthly payment.
- 2.8 From January to May 2024, the UK fulfilled the 5 remaining monthly payments from the September 2023 invoice on time and in full, €3,133,274,720 (£2,678,500,861). Details of this invoice were set out in last year's EUFS¹.
- 2.9 Unusually, the April 2024 invoice represented a negative liability, i.e., it provided a net liability for the EU to the UK of €1,413,436,944 (£1,189,759,283). All instalments of the invoice were received in full and on schedule. The September 2024 invoice provided a single net liability for the UK of €1,791,580,305 (£1,487,283,692²). Three instalments totalling €671,842,614 (£558,819,593) were due during 2024 and were paid in full and on schedule. The remaining payments are due in 2025 and will be reported on next year.
- 2.10 The following table provides the schedule of monthly payments of net liabilities made by the UK in 2024.

¹ [European Union Finances Statement 2023](#)

² Payments due between January and May 2025 are calculated using the spot rate euro/sterling exchange rate on the 31 December 2024, £1 = €1.21.

Table 2.A: Monthly payments of net liability under Article 148

Date	Amount (€)	Amount (£)³
31st January 2024	626,654,944	534,232,865
28th February 2024	626,654,944	536,301,328
31st March 2024	626,654,944	537,565,980
30th April 2024	626,654,944	537,599,005
31 st May 2024	626,654,944	532,801,684
30th June 2024	-353,359,236	-298,346,086
31st July 2024 ⁴	-353,359,236	-298,610,532
31st August 2024	-353,359,236	-298,198,400
30th September 2024	-353,359,236	-294,604,265
31st October 2024	223,947,538	186,690,271
30th November 2024	223,947,538	186,883,054
31st December 2024	223,947,539	185,246,268
Total Payment under the Financial Settlement of the WA in 2024⁵	2,391,680,390	2,047,561,171

³ The payments to the EU are euro-denominated, these values are the amounts of Sterling purchased for the required Euros to settle monthly instalments.

⁴ In July 2024, an additional direct payment of £4,015,842 (€4,780,057) was made to the EU to cover additional liabilities under VAT Own Resource adjustments.

⁵ The invoice totals do not reflect the net liability for all components of the Financial Settlement. The UK's share of revenues from the European Investment Bank and receipts to the UK private sector are not reflected in the net invoice payments. For a full breakdown of the UK's net payment estimate in 2024, see Table B.1 in Annex B.

Determining the UK's financing share (A139)

- 2.11 The UK's financing share under the WA was definitively confirmed in 2022 as 12.431681219587700%. Further details were provided in the 2022 EU Finances Statement.

Reste à Liquider (RAL) (A140): Outstanding Payments

- 2.12 Article 140 (A140) of the WA states that the UK will pay its share of outstanding budget and agency commitments as at 31 December 2020, as these commitments fall due. The payments are based on estimates for the year, less amounts over- or underpaid in the previous year.
- 2.13 In March 2024, the EU reported the overall liability and the amounts payable for expected budgetary contributions for 2024. The amount was payable in twelve equal monthly instalments across the two invoices. The total amount payable under those invoices (including corrections for 2023) was c.€1,810mn, of which c.€672mn was payable in the seven instalments due in 2024.
- 2.14 In addition, there were adjustments relating to Traditional Own Resources and Net Financial Corrections. The impact of these adjustments resulted in a c.€29mn reduction in payments, of which c.€11mn was returned in 2024.

Fines Revenue (A141)

- 2.15 Under Article 141 of the WA, the UK is entitled to its share of fines decided before 31 December 2020 and those decided upon by the Union after 31 December 2020 in a procedure referred to in Article 92(1) when these become definitive.
- 2.16 This is included in the September invoice. This year c.€49mn was reported as due to the UK, of which c.€19mn was due in respect of the three instalments due in 2024.

Pensions liabilities (A142)

- 2.17 Under Article 142 of the WA, the UK is liable for its share of the EU's liability for pension rights and rights to other employment-related benefits accrued on or before 31 December 2020.
- 2.18 The majority of the liability is composed of the Pension Scheme for European Officials (PSEO) and Joint Sickness Insurance Scheme (JSIS). Under the WA any payments form part of the April invoice. c.€280mn was charged this year, and therefore fully paid in 2024.
- 2.19 A further c.€29mn was included in the September 2024 invoice in relation to the pension scheme for Members and EU high-level

public office holders, of which, c.€11mn was payable in the three payments due in 2024.

Loans for financial assistance and budgetary guarantees (A143)

- 2.20 Under Article 143 of the WA, the UK retains its share of contingent liabilities arising from financial operations undertaken by the European Investment Bank (EIB) and European Investment Fund (EIF) under Loans for Financial Assistance and Budgetary Guarantees. These are in relation to European Financial Stabilisation Mechanism, Balance of Payments, Macro-Financial Assistance, Euratom, European Fund for Strategic Investment (EFSI), European Fund for Sustainable Development (EFSD) and External Lending Mandate (ELM). These operations are partly backed by Guarantee Funds (GFs) to cover losses on the operations. The UK is due its share of any part of the GFs that is unused.
- 2.21 In the April 2024 invoice, the UK received c.€244mn under Article 143.
- 2.22 The EU guarantees financial operations that its 'Implementing Partners', predominantly the EIB and EIF, invest in. This creates a potential commitment to reimburse any future losses on the financial operations that the implementing partners incur. Under Articles 143 the UK remains liable for its share of the losses on financial operations approved before 31 January 2020.

Financial Instruments financed by the programmes of the 2014 to 2020 Multiannual Financial Framework (MFF) (A144)

- 2.23 Financial instruments (FIs) under the scope of Article 144 of the WA make investments in and provide loans under 'financial operations' for their specific mandate. There are 88 FIs in total under the scope of the WA, managed by 12 different entrusted entities such as the EIB, EIF and the European Bank for Reconstruction and Development.
- 2.24 The financial operations are fully provisioned or guaranteed by the EU budget. Under Article 144, the UK is due its share of flows returning to the EU budget.
- 2.25 Under the WA, payments to the UK only occur via the April invoice. The UK received c.€59mn in the April 2024 invoice.

Assets of the European Coal and Steel Community (ECSC), in liquidation (A145)

2.26 Under Article 145 of the WA, the UK is entitled to its share of the net assets of ECSC in Liquidation as at 31 December 2020. These were €1,483mn, of which the UK's share is €184mn. This is to be paid back in five instalments from 2021 and included in the annual April invoice exclusively. The April 2024 invoice included a payment to the UK of c.€37mn, which relates to the UK's share of the asset.

Assets of the European Investment Fund (EIF, A146)

2.27 Under Article 146 of the WA, the UK is entitled to its share of the EU's investment in the paid-in share capital of the EIF as at 31 December 2020. This was €267mn, of which the UK's share is €33mn. This is to be paid back in 5 instalments from 2021 and included in the April invoice exclusively. In the April 2024 invoice the UK received c.€7mn, which relates to the UK's share of the asset.

Contingent liabilities from legal cases (A147)

2.28 Under Article 147 of the WA, the UK is liable for its share of the payments required to discharge the contingent liabilities of the EU as of 31 December 2020 that become due in relation to ongoing legal cases.

2.29 This is included exclusively in the April invoice. The 2024 invoice showed a liability for c.€12mn.

UK receipt of paid-in European Investment Bank (EIB) capital

2.30 In addition to the bi-annual invoice cycle, the UK is owed the repayment of its share (€3.5bn) of the paid-in capital of the EIB over 12 annual instalments payable on 15 October. In 2024 the UK received its fifth payment of €300mn.

2.31 Under the terms of the WAA, the return of the UK's EIB paid-in capital is an asset of the Consolidated Fund unless due to HM Treasury. The fifth instalment was paid to HM Treasury by the EIB and disclosed in the departmental accounts.⁶

2.32 The UK will maintain a contingent liability in respect of the stock of outstanding EIB operations as at 31 December 2020, which will decrease as the underlying loans and investments are completed.

⁶ [HM Treasury Annual Report and Accounts 2023-2024](#)

Verification Process on the Financial Settlement

- 2.33 Article 134 of the WA gives the UK the right to request and inspect information and underlying controls in respect of the implementation of the financial provisions, supported by appropriate administrative arrangements. HM Treasury uses this and other information as the basis for extensive assurance work over the invoices received. This ensures that the government and Parliament can have confidence that what is paid and received is in accordance with the WA. Our approach to obtaining assurance is summarised in Box 2.A.
- 2.34 The WA specifies that the European Commission (EC) must provide detailed financial reporting in March of each year on net liabilities and assets recorded at the end of the preceding year. We have worked with the EC to ensure that this reporting supports the UK's assurance requirements. We received the March 2024 reports in line with the requirements of the WA.
- 2.35 Outside of this formal governance process, we have maintained a wide range of technical engagement on financial reporting with the EC's Directorate-General for Budget (DG BUDG) and other parts of the EC and its partners throughout 2024.
- 2.36 We have worked with the EC and its implementing partners to ensure their systems and controls over financial reporting are suitable for the specific requirements of the WA. Technical interpretations have been agreed by both parties, consistent with the principles underpinning the WA. These are based on methodologies which are fair to both parties, and which result in net liabilities being met at the correct time (including receipts due to the UK).

Box 2.A The UK's assurance framework over the Financial Settlement

The assurance framework in relation to the Financial Settlement has been based on a risk-based approach to financial reporting, covering:

- Mapping key reporting risks to the UK; understanding where reliance can be placed on assurance processes that are unchanged from our period of EU membership and agreeing additional arrangements to obtain comfort over risks that were not mitigated by those controls.
- A tailored approach to obtain comfort over the payments and reimbursements as they arise on an article-by-article basis and the completeness, accuracy and valuation of assets and liabilities.

- Reliance, where possible, on the EC's (and other entrusted entities') independently audited financial statements and other independent data testing in order to minimise the repetition of audit work (recognising that the absence of an established reporting framework to form the basis of an assurance opinion made the appointment of a single UK auditor of the Financial Settlement impossible).
- The ability to trace net liabilities from the EC's audited accounts (and those of its implementing partners) to both the more detailed WA reporting obligations and to the invoices.
- Where the existing reporting and assurance does not address specific reporting risks to the UK resulting from the WA, HM Treasury has requested specific additional procedures are performed, including through the use of Agreed Upon Procedure (AUP) reports on the data underlying the EC's formal reporting to the UK. These AUP reports provide independent factual findings of tests agreed with the UK.

Reliance on the European Commission's annual accounts

- 2.37** The EC's annual accounts for the years ending 31 December 2020 onwards contain additional disclosures related to UK Withdrawal from the EU.
- 2.38** The EC prepares the EC annual accounts following EU Accounting Rules, which are based on the International Public Sector Accounting Standards. These are based on public sector interpretations of the International Financial Reporting Standards (IFRS). The EU annual accounts are audited by the European Court of Auditors (ECA). The ECA conducts its audit in compliance with the International Standards on Auditing and is independent of the EC, in accordance with the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants.
- 2.39** The ECA is free to decide what it will audit, how it will do this, and how and when to present its findings. As a result, the ECA reports two annual opinions:
- 'True and fair' - whether the EC accounts are properly prepared in accordance with international public sector accounting standards and present a materially correct view of financial results for the year and assets and liabilities at the end of the year.

- ‘Legal and regular’ - whether the EC accounts are made up of transactions that comply with applicable EU rules, regulations, and contractual obligations.

2.40 A number of calculation inputs and figures contained within the WA are based on estimations or provisional figures, which are subject to adjustment in future years in accordance with the EU's financial regulations or specific provisions within the WA itself. This includes, for example, estimated payments in a given year on RAL commitments and the UK financing share percentage, which was finalised in February 2022.

2.41 Where this is the case, there will be adjustments in future years once the data becomes definitive. We have agreed with the EC a methodology which allows for adjustments:

- For errors identified by the UK or the EC in respect of invoiced amounts then corrected as part of the next monthly payment.
- Identified during the independent audits of the EU annual accounts and its entrusted entities and would be corrected in subsequent invoice.
- Resulting from differences between forecasts and outturn. Formal governance under the WA supports our technical engagement and future corrections in the event of disagreement and would be corrected in subsequent year reporting.

Chapter 3

Outstanding liabilities under the Financial Settlement

3.1 This chapter covers the United Kingdom's (UK's) outstanding liabilities under the Financial Settlement and provides HM Treasury's estimated value of them. The value of these liabilities is dependent on a range of variables, and this chapter provides an overview of these and how they interact with the overall valuation. It covers the nature of the liabilities and points to where they are reported on further in government accounts.

Estimated net liabilities

- 3.2 Table 3.A summarises net payments under the Financial Settlement in each year since the UK's Withdrawal from the EU on 31st January 2020. Figures are in €bn with £bn equivalents shown in parentheses.
- As the UK left the EU on 31 January 2020, the remainder of 2020 (February – December) represented the Transition Period during which the UK contributed to the EU Budget and UK beneficiaries received receipts effectively in the same way as a Member State as per Article 135 of the WA.
 - Following the Transition Period, the UK and EU moved to a new schedule of financial contributions in respect of historic liabilities and assets between both parties. These commenced in June 2021, reducing gross payments for that year.

Table 3.A: Annual Breakdown of Financial Settlement Payments to Date

Year	Gross €bn (£bn ¹)	Receipts ² €bn (£bn)	Net €bn (£bn)
2020 ³	17.5 (15.5)	-6.8 (-6.1)	10.7 (9.4)
2021	6.8 (5.8)	-4.6 (-4.0)	2.2 (1.8)
2022	10.9 (9.3)	-3.4 (-2.9)	7.5 (6.4)
2023	9.5 (8.2)	-2.3 (-2.0)	7.2 (6.3)
2024	2.4 (2.1)	-1.1 (-0.9)	1.3 (1.1)
Total	47.1 (40.9)	-18.2 (-15.9)	28.9 (25.0)

¹ The Financial Settlement is a Euro-denominated liability. Outturn payments are based on the exchange rate used at point of transaction.

² Figures reflect estimated EU programme receipts to UK public & private beneficiaries and the return of the UK's paid-in capital at the European Investment Bank.

³ The UK left the EU on 31 January 2020. Therefore, payments and receipts for the month of January 2020 are not included in the 2020 estimates or in HM Treasury's overall estimate of the Financial Settlement.

- 3.3** As shown in Table 3.B, HM Treasury's current estimate of the total net value of the Financial Settlement as at 31 December 2024 is £30.7bn (€35.7bn), including settled payments and flows to the UK. As at 31 December 2024, £25.0bn (€28.9bn) has been paid with estimated remaining net liabilities of £5.7bn (€6.8bn).
- 3.4** Table 3.B summarises payments to date and outstanding liabilities under the Financial Settlement. Figures are in €bn with £bn equivalents shown in parentheses. Further detail, including a breakdown of payments on the component parts of the Financial Settlement can be found at Annex B, Table B.1.

Table 3.B: Financial Settlement Payments to Date and Forecast Payments Outstanding

Component (Time Period)	Gross¹ €bn (£bn)	Receipts² €bn (£bn)	Net €bn (£bn)
Total Financial Settlement³ (Feb 2020 - 2065)	56.9 (49.0)	-21.2 (-18.3)	35.7 (30.7)
Payments to date (Table 3.A) (Feb 2020 - Dec 2024)	47.1 (40.9)	-18.2 (-15.9)	28.9 (25.0)
Forecast Outstanding Payments (2025 - 2065)	9.8 (8.1)	-3.0 (-2.5)	6.8 (5.7)
of which: relate to September 24 Invoice (Jan - May 2025)	1.1 (0.9)	-0.3 (-0.3)	0.8 (0.7)
of which: relate to June 2025 onwards (outstanding) ⁴ (June 2025 - 2065)	8.7 (7.2)	-2.6 (-2.2)	6.0 (5.0)

¹ Gross payments made to the EU over the Transition Period (Feb - Dec 2020) and payments via invoices under Article 148 of WA, which are net of returns to the UK from EU assets.

² Receipts relate to returns to the UK outside of the Transition Period (EU Budget) contributions and Article 148 of WA, i.e. EU Budget programme receipts and EIB Paid-in Capital returns.

³ Outturn payments are based on the exchange used at point of transaction. While forecast payments and receipts are based on the spot rate euro/sterling exchange rate on 31st December 2024. The rate on each day is £1 = €1.21

⁴ Forecast payments and receipts will vary in outturn due to the financial settlement being in Euro denomination. The estimate of outstanding payments is in line with our public estimate methodology, where pensions payments are discounted. Therefore, future payments will differ in size at the time of exchange.

- 3.5** As outlined in Chapter 2, the UK has contingent liabilities related to Article 143, Article 147, and Article 150.
- 3.6** For the financial operations covered under Article 143, a proportion of the contingent liability is provisioned from the EU Budget under budgetary guarantees that the UK contributed to whilst part of the EU. For any losses greater than the amount in budgetary guarantees, the UK would have an obligation to reimburse the EU similar to the other Member States. In the event that the budgetary guarantees are sufficient to reimburse the losses on the financial operations, any amounts not used will be returned, creating a net financial benefit to the UK. The Contingent Liability under Article 143 as at 31 December 2023 is €11.1bn. This compares to €11.9bn as at 31 December 2022 and €12.3bn as at 31 December 2021.

- 3.7 Under Article 147, the UK remains liable for its share of the payments required to discharge the contingent liabilities of the EU that become due in relation to legal cases concerning financial interests of the EU. The legal cases must relate to the period prior to 31 December 2020. The contingent liability under Article 147 as at 31 March 2024 is £15mn.
- 3.8 Under Article 150, the UK remains liable for financial operations approved by the EIB before the withdrawal date. The UK has paid in capital to the EIB that is being returned to the UK on a yearly basis. The contingent liability is in the form of the callable capital subscription to the EIB. The EU may call upon this if there are losses on financial operations greater than the paid in capital. The remote contingent liability is valued at £31.6bn, as at 31 March 2024⁷. Further details on these remote contingent liabilities related to the Financial Settlement are set out in HM Treasury Accounts for 2023 to 2024.

Factors affecting the size of the settlement

- 3.9 The final value of the settlement, by its nature, cannot be known with certainty at present, since it requires the UK and EU to pay only amounts that fall due, rather than on the basis of an estimate.
- 3.10 HM Treasury has conducted sensitivity analysis on the Financial Settlement to identify the impact that a change in key individual variables would have on the overall settlement value.
- 3.11 A key principle of the Financial Settlement is that the UK will only pay towards EU obligations that actually crystallise. Forecasts of the settlement therefore include an estimate of the EU spending that will be decommitted (planned, but ultimately never spent). The effect of a 1% absolute change in decommitments on the HM Treasury net estimate is estimated to be £27mn.
- 3.12 Under the terms of the Financial Settlement of the WA, the UK continued to make its budget contribution in 2020 in sterling but settles its post-2020 obligations in euro. As a result, any movements in the euro/sterling exchange rate may affect the value of the settlement. The effect of a 1% change in the sterling/euro exchange rate is estimated to be £53mn.
- 3.13 A material EU liability included in the Financial Settlement is in relation to EU pensions and other employment related benefits accrued by the end of 2020. These are predominantly unfunded defined benefit schemes where the final amounts paid to beneficiaries are affected by a number of factors, including the final salaries of the employees, their years of service and the length of time they live in retirement. The amount the UK pays

⁷ [HM Treasury Annual Report and Accounts 2023-2024](#) (Pg 120)

will be affected by these factors. However, because the UK is only required to pay these amounts as they fall due, many of the uncertainties in estimating future pension liabilities now (like the choice of discount rate used to convert the future flows into a lump sum amount) will not affect what the UK pays, unless the UK chooses to settle the obligation early, as provided for in the WA. The effect of 0.1% decrease in the discount rate applied to the UK share of EU pensions increases the estimate of the Financial Settlement by £108mn.

- 3.14 The UK will continue to stand behind contingent liabilities arising from EU financial operations approved before withdrawal. Several of these instruments have associated GFs. These funds are held on the EU's balance sheet. The extent of returns to the UK from these funds will depend on the financial performance of the funds and the underlying investments that are covered by the guarantees.⁸

Off-budget funds outside the Financial Settlement

- 3.15 There are a number of areas where funds, mechanisms and organisations have been established outside the EU Treaties through separate international agreements but are managed by EU institutions or are in close alignment with EU policies. The WA makes provision for these to ensure there is certainty on how they will be treated. These mainly relate to international development funding, where UK contributions are treated as Official Development Assistance (ODA) and count towards the UK's ODA spending target. They are set out in the Foreign Commonwealth & Development Office's Annual Report & Accounts.
- 3.16 The UK has obligations to the European Development Fund (EDF), which are expected to continue until c.2030 as projects UK project commitments are implemented. Outside of the EDF, the UK has no remaining obligation or outstanding payment to the EU for any off-budget ODA-related instruments, such as the Facility for Refugees in Turkey. The UK's outstanding contributions are detailed in Table 3.C.

Table 3.C: Outstanding off-budget development contributions, as at 31 December 2024

⁸ HMT uses a model to produce an assessment of cashflow in respect of financial instruments using assumptions, such as credit ratings, recovery rates and returns on assets/funds. The model is consistent with industry standards for valuations of long-term liabilities of this nature

Outstanding off-budget contributions (as at 31 December 2024)	€mn	£mn¹
European Development Fund ²	659	547

¹ Based on the spot rate euro/sterling exchange rate on 31st December 2024. The rate on each day is £1 = €1.21

² HM Treasury calculations using EDF internal agreements and EU Commission annual communications forecasting commitments, payments, and contributions from Member States.

Treatment of the Financial Settlement in government accounts

- 3.17** Now that the UK is no longer an EU Member State, payments to the EU under the WA are now accounted for in HM Treasury's Accounts.
- 3.18** Payments of receipts from the EU to UK entities are treated in national and government accounts in different ways, depending on whether a government body administers those receipts. Receipts that are administered by a government body are classified as public sector receipts in public expenditure statistics and are typically reported in the administering department's accounts. Although they are classified as 'public sector' receipts, they are in fact typically destined for the private sector (such as the Common Agricultural Policy, paid by managing authorities to the private sector). The remaining receipts received by the UK are paid directly from the EU to private sector beneficiaries and these funds do not flow through the public finances. UK central government accounts are prepared in accordance with the HM Treasury Financial Reporting Manual (FReM) and the government Resources and Accounts Act 2000. The accounting standards contained in the FReM apply IFRS as adapted or interpreted for the public sector context.
- 3.19** HM Treasury recognised a provision representing its liability for the amounts it needed to pay to the EU as of 31 March 2021 in the HM Treasury Accounts 2020/21. This included, for example, the UK's share of the EU's outstanding commitments at the end of 2020 (the so-called RAL). This did not reflect the complete Financial Settlement and therefore does not present the 'cost' of the Financial Settlement, as shown above. HM Treasury accounts also disclosed other contingent items relating to EU financial

obligations covered by the WA. The return of the UK's paid in capital in the EIB also appears in the HM Treasury Accounts.

Global Margins for Commitments

- 3.20 The ceilings of the MFF set the limits for how much the EU was able to commit over the 2014 to 2020 period, and therefore ultimately spend. The settlement freezes the ceilings for the UK, and the permissible purposes for which UK monies are paid, so that any changes agreed by Member States after UK withdrawal will not impact on the UK. The UK obligations to the EU's outstanding commitments at end-2020 cannot be larger than the limits agreed by the UK while it was a Member State.
- 3.21 The EU proposed a range of budgetary responses to respond to the pressures of COVID-19, which increased in-year commitment appropriations for the EU annual budget 2020.
- 3.22 Discussions with the EU have continued over an area of special instrument use, the 'Global Margins for Commitments', which the EC deemed the UK liable for. These discussions continue to take place in compliance with the governance structures set out under the WA.

Annex A

Technical annex of Forecast methodologies

A.1 This annex reviews the government's original estimated 'cost' range of the Financial Settlement and compares it to HM Treasury's revised point estimate. HM Treasury's reporting framework and accounting methodologies are then explained and compared to the OBR's and the EC's approaches, to account for the differences in their respective estimations.

Comparison with the original estimate

A.2 Following the publication of the Joint Report from the Negotiators of the European Union and the United Kingdom (UK) government in December 2017, the government provided a reasonable central estimate of the size of the Financial Settlement of €40 to 45 billion or £35 to 39 billion, based on the exchange rate and assumptions at the time.

A.3 This estimate is not directly comparable to those set out in chapter 3 due to the subsequent extension of the Article 50 period and consequent delay to the UK's withdrawal from the EU. HM Treasury's current estimate calculated on the same basis as the original range is £37.6bn (€43.5bn). This corresponds to the Treasury's current point estimate of the Financial Settlement, £30.7bn (€35.7bn), as set out in Table 3.B, plus £6.9bn (€7.8bn) in net membership contributions provided to the EU over the extension to the Article 50 period. It is presented in Table A.1 to enable comparison with the original range.

Table A.1: Comparison of original range to new HM Treasury point estimate

Component of the settlement (bn)	Original Range	Treasury point estimate (31 st December 2024)
Net Budgetary Contributions to end 2020	€17-18	€17.9
Of which: Contributions over Article 50 Extension ¹	-	€7.8
Contributions over Transition Period	-	€10.1
RAL (net) from end 2020	€21-23	€24.1
Assets and Liabilities	€2-4	€1.6
Original Settlement Range²	€40-45	€43.5
	£35-39³	£37.6

¹ Estimated contributions and receipts, sent and received by the UK over the Article 50 Extension, April 2019 - January 2020.

² Due to rounding, totals may not exactly correspond to the sum of individual items.

³ Original range is based on spot rate euro/sterling exchange rate at the time of the Joint Report in December 2017. The Treasury sterling point estimate forecasts payments and receipts, based on the exchange rate on 31st December 2024. The rate on each day is £1 = €1.21, dependent on the time period.

Comparison with the OBR forecast

- A.4 Since March 2018, the OBR have produced an estimate of the size of the Financial Settlement in their Economic and Fiscal Outlook (EFO), which is laid before Parliament.
- A.5 There are some important differences between the OBR forecast and the Treasury's estimate:
- **Modelling and data sources:** unlike the OBR's estimate, the Treasury's revised estimate uses a combination of public and non-public sources. Non-public data sources can provide more granular and up-to-date data. For example, using EU monthly Budget implementation data provided to the UK and Member States enables more granular bottom-up modelling of the RAL.
 - **Exchange rate:** the OBR uses a forward-looking exchange rate forecast, while the government does not have a target for the sterling exchange rate and does not generally comment on currency movements. The updated Treasury

estimate uses the spot rate at the end of the 2024 calendar year.

- **Pensions liability:** the OBR does not discount any aspect of the Financial Settlement. The OBR forecast future public expenditure flows from the Financial Settlement as they would in their fiscal forecast. In contrast, and in line with the 2017 reasonable central estimate, the Treasury's estimate continues to use a discounted valuation of the UK's EU pensions liability. The effect of discounting this liability is significant because the future cash flows are spread over many decades into the future. The WA provides the option for the UK to settle pension obligations early (if the UK so chooses), based upon a discounted amount. This distinction in methodology is the largest source of difference between the two estimates.
- **The payment dates considered differ:** unlike HM Treasury, the OBR's estimate focuses on the payments to be paid over the fiscal forecast period, rather than the full length of the Financial Settlement.

Table A.2: Comparison between HM Treasury's estimate and the OBR forecast

	Amount, based on 31st January 2020 exit (£bn)
OBR estimate (Payments under Financial Settlement between 23/24 to 29/30)¹	12.0
Payments made/forecast outside of 23/24 - 29/30	28.2
Exchange rate differences	-0.3
Discounting for Pensions Liability	-8.9
Modelling and data source differences	-0.4
HM Treasury estimate (31st March 2024)	30.7

¹OBR - October 2024 Economic and Fiscal Outlook: Table A.7

Comparison with the EC's published Accounts

A.6 In July 2024, the EC published an estimate of the UK's liability under the Financial Settlement of €15.5bn in its annual accounts.⁹ There are several important differences which account for the differences between HM Treasury's estimate and that of the EC:

- **Outstanding net liabilities only:** the EC's estimate only captures outstanding net liabilities as at 31st December 2023. However, the Treasury's figure captures the full net liability under the Financial Settlement as at 31st December 2024, including payments & receipts since the UK's withdrawal from the EU on 31st January 2020 and outstanding net liabilities from 1st January 2025 onwards.
- **Direct payments only:** the EC's estimate, unlike the Treasury's and OBR's, includes only those payments made between the EU and UK government. This excludes payments made directly to a third party or via a body, legally distinct from the EU budget, such as:
 - Payments which will be made to UK recipients for the remaining life of EU funding programmes commenced before the end of the transition period from EU funding programmes. In Treasury's central estimate, these are valued at £9.6bn (€11.2bn), for the period of 2021 to 2029.
 - The UK's €3.5bn of uncalled capital held and due to be refunded by the EIB between 2020 and 2031.
- **The payment dates included differ:** the EC's estimate only refers to UK payments to the EU from 1 January 2021 following the Transition Period. Therefore, the EC excludes payments made during the Transition Period, which are included in the HM Treasury estimate.
- **WA components included:** unlike the UK, the EU does not include a forecast or estimate for all components of the settlement. That includes the indirect payments as mentioned above, but also liabilities and assets that have not crystallised. This is because the purpose of the EU's estimate is to provide an accounting estimate of known costs to and from the EU. By contrast, HM Treasury's estimate aims to provide Parliament and the public with a fair and accurate cost estimate of the total Financial Settlement, which includes receipts that are expected to

⁹ [European Commission Annual Accounts 2023](#)

be received. However, in line with the WA, the data used for both estimates is consistent.

Annex B

Cumulative Payments and Receipts

Table B.1: Cumulative Payments and Receipts made before and after 31st December 2024¹⁰

Payments to the EU	Feb 2020 - End-2024			2025 Onwards ²		
	Gross ³	Receipts ⁴	Net	Forecast Gross	Forecast Receipts	Net
Total £bn	40.9	-15.9	25.0	8.1	-2.5	5.7
€bn ¹	47.1	-18.2	28.9	9.8	-3.0	6.8
Contributions to Budget up to end 2020 £bn	14.7	-5.8	8.9	-	-	-
€bn	16.6	-6.5	10.1	-	-	-
RAL from end 2020 £bn	26.9	-8.8	18.1	3.3	-0.8	2.5
€bn	31.3	-10.2	21.1	3.9	-1.0	3.0
Assets and Liabilities £bn	-0.6	-1.3	-1.9	4.9	-1.7	3.2
€bn	-0.8	-1.5	-2.3	5.9	-2.0	3.9
<i>o/w Pensions £bn</i>	<i>0.7</i>		<i>0.7</i>	<i>7.1</i>		<i>7.1</i>
€bn	0.9		0.9	8.6		8.6
<i>o/w EIB Paid-In Capital £bn</i>		<i>-1.3</i>	<i>-1.3</i>		<i>-1.7</i>	<i>-1.7</i>
€bn		-1.5	-1.5		-2.0	-2.0
<i>o/w Other £bn</i>	<i>-1.4</i>		<i>-1.4</i>	<i>-2.3</i>		<i>-2.3</i>
€bn	-1.7		-1.7	-2.7		-2.7

¹ Outturn payments are based on the exchange used at point of transaction. While forecast payments and receipts are based on the spot rate euro/sterling exchange rate on 31st December 2024. The rate on each day is £1 = €1.21

² Forecast payments and receipts are based on HMT internal estimates and will be adjusted for outturn. These outturn payments may vary due to the financial settlement being in Euro denomination.

³ Gross payments made to the EU over the Transition Period (Feb - Dec 2020) and payments via invoices under Article 148 of WA, which are net of returns to the UK from EU assets.

⁴ Receipts relate to returns to the UK outside of the Transition Period (EU Budget) contributions and Article 148 of WA, i.e. EU Budget programme receipts and EIB Paid-in Capital returns.

Due to rounding, totals may not exactly correspond to the sum of individual items.

¹⁰ Due to rounding, totals may not exactly correspond to the sum of individual items.

- B.1** Table B.1 outlines the cumulative payments and receipts made before and after 31st December 2024, for all aspects of the Financial Settlement.
- B.2** The UK is estimated to have paid £1.1bn (€1.3bn) in net liabilities in 2024. Whilst payments in the April and September invoices totalled £2.0bn (€2.4bn), as shown in Table 2.A, this does not reflect the full net financial settlement liability. The UK also receives revenues from the European Investment Bank¹¹ and private sector receipts which are not incorporated into the net invoice totals.
- B.3** The table provides a further breakdown of the estimates presented in Table 3.B, outlining the gross payments, receipts, and net payments for the period February 2020 until 31st December 2024, and the forecasted contributions from 1st January 2025 onwards.
- B.4** The UK has now paid an estimated net figure of £25.0bn (€28.9bn) since February 2020. The estimated outstanding net liabilities in future years total £5.7bn (€6.8bn)¹².

¹¹ See paragraph 2.30 of Chapter 2 for further details.

¹² The estimates of outstanding payments are in line with our public estimate methodology, where pensions payments are discounted. Therefore, future payments will differ in size at the time of exchange.

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This document can be downloaded from www.gov.uk

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