
Chair of the UK Statistics Authority, Sir Andrew Dilnot CBE

The Rt Hon Norman Lamb MP
House of Commons
London
SW1A 0AA

21 April 2016

Dear Mr Lamb,

UK CONTRIBUTIONS TO THE EUROPEAN UNION

Thank you for your letter of 15 April in which you highlight recent statements used in campaign literature by Vote Leave, the designated campaign for Britain to leave the European Union (EU). These include a poster which says “Let’s give our NHS the £350 million the EU takes every week”¹, and a statement on the Vote Leave website that suggests that the UK, “stop sending £350 million every week to Brussels and instead spend it on our priorities”². I have considered these statements, and sought the advice of colleagues, including our Director General for Regulation at the UK Statistics Authority, Ed Humpherson.

The £350 million figure that has been used by the Vote Leave campaign appears to relate to the UK’s gross contributions to the EU, before the application of the UK’s rebate. The UK’s gross contributions to the EU in 2014 were £19.1 billion³, according to the latest official statistics available.

I have asked the Deputy National Statistician for Economic Statistics, Jonathan Athow, to produce a note attached to this letter which sets out, in detail, the different statistical concepts that are important to consider when discussing the UK’s financial contributions to the EU.

The four concepts cover first: the UK’s gross contributions to the EU⁴; second, gross contributions after the rebate; and third, gross contributions after the rebate and payments received by the UK public sector from the EU. These combined provide the method for calculating the net contribution after allowing for EU payments to the UK public sector. The fourth concept would not just take account of payments from the EU to the UK public sector, but also take into account EU payments made directly to UK non-public sector bodies.

As set out in the attached note, the gross contribution to the EU in 2014 was £19.1 billion. After the rebate, the contribution was £14.7 billion⁵ and the net contribution by the UK public

¹ http://www.voteleavetakecontrol.org/campaign_resources

² <http://www.voteleavetakecontrol.org/campaign>

³ ONS Pink Book 2015 Table 9.9

http://www.ons.gov.uk/file?uri=/economy/nationalaccounts/balanceofpayments/compendium/unitedkingdombalanceofpaymentsthepinkbook/2015-10-30/unitedkingdombalanceofpaymentsthepinkbook/pinkbook2015chapter9_tcm77-422053.xls

⁴ See also. <https://www.statisticsauthority.gov.uk/wp-content/uploads/2016/04/Letter-from-Sir-Andrew-Dilnot-to-Bernard-Jenkin-MP-240316.pdf>

⁵ See footnote three.

sector was £9.9 billion.⁶ Taking an estimate of receipts to non-public sector bodies into account produces an estimated average of £7.1 billion⁷ for the period 2010-2014.⁸

I conclude that there is a lack of clarity in the way the official statistics have been drawn on in the statements I have considered. In particular, I note the use of the £350 million figure, which appears to be a gross figure which does not take into account the rebate or other flows from the EU to the UK public sector (or flows to non-public sector bodies), alongside the suggestion that this could be spent elsewhere. Without further explanation I consider these statements to be potentially misleading. Given the high level of public interest in this debate it is important that official statistics are used accurately, with important limitations or caveats clearly explained.

Yours sincerely,

A handwritten signature in black ink that reads "Andrew Dilnot". The signature is written in a cursive, slightly slanted style.

Sir Andrew Dilnot CBE

⁶ See footnote three.

⁷ Data available in Annex B of "HM Treasury analysis: the long-term economic impact of EU membership and the alternatives

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/517155/treasury_analysis_economic_impact_of_eu_membership_web.pdf

⁸ The figures including payments to non-public sector bodies are particularly volatile. An average figure is therefore used.

21 April 2016

Dear Sir Andrew,

You passed me correspondence from the Rt Hon Norman Lamb MP, and asked for my comments on the issues raised in the letter.

Before addressing the specific issue raised in Mr Lamb's letter, it may be helpful for me to set out the different concepts used in discussions of the UK's financial contributions to the European Union (EU). I will also describe how they relate to the figures produced by the Office for National Statistics (ONS) as shown in Table 9.9 of the Pink Book 2015. There are four main concepts being used.

The first concept is the gross contributions to the EU before the application of the UK's rebate. This is the total of all the different forms of contribution to the EU, making no allowance for either the UK's rebate or the payments the UK receives from the EU.

The next step in the calculation is to account for the UK's rebate, formally known as the Fontainebleau abatement. This gives the second main concept, the gross contributions after the rebate. The rebate is shown as a separate credit in the ONS's Pink Book, but this does not follow how payments are made: HM Treasury pays over the UK's contributions after deducting the value of the rebate.

Following that, an adjustment can be made for the payments that the UK public sector receives directly from the EU. This includes payments that are made to the UK public sector, but then pass on to the private sector in the form of agricultural support payments and regional development funds, for example. This gives the third concept of net contribution after allowing for EU payment to the UK public sector.

ONS figures, as set down below, allow these different concepts to be reconciled. These are all taken from Table 9.9 of the ONS Pink Book 2015¹, and converted into weekly amounts using either an average of payments over the last 5 years or using the latest year's data. The £350 million figure that Mr Lamb refers to appears to relate to the first concept – gross contributions before the rebate.

¹ The full Pink Book table 9.9 is reproduced in Annex A or can be found here:

http://www.ons.gov.uk/file?uri=/economy/nationalaccounts/balanceofpayments/compendium/unitedkingdombalanceofpaymentsthepinkbook/2015-10-30/unitedkingdombalanceofpaymentsthepinkbook/pinkbook2015chapter9_tcm77-422053.xls

Table 1: ONS figures on UK contributions to the EU (excludes payments to non-public sector bodies)

£ million	2010	2011	2012	2013	2014	5 year average		Latest year	
						2010-14	weekly*	2014	weekly*
[1] Gross contributions (before rebate)	15,999	16,075	16,441	19,377	19,107	17,400	335	19,107	365
Less rebate	3,046	3,144	3,110	3,675	4,416	3,478	65	4,416	85
[2] Gross contributions (after rebate)	12,953	12,931	13,331	15,702	14,691	13,922	270	14,691	285
Less EU payments to the UK public sector	5,728	5,388	4,795	4,431	4,819	5,032	95	4,819	95
[3] Net contributions (public sector bodies only)	7,225	7,543	8,536	11,271	9,872	8,889	170	9,872	190

Source: Table 9.9 of the ONS Pink Book 2015. Gross contributions before rebate = GCSM, rebate = FKKL, gross contributions after rebate = (GCSM-FKKL), EU payments to the UK public sector = (GCSL-FKKL), net contributions = BLZS.

*Weekly figures are annual figures divided by 52 and rounded to nearest £5m.

The fourth concept would not just net off payments from the EU to the UK public sector, but also take into account EU payments made directly to non-public sector bodies. This would include some research payments made to UK organisations².

The figures produced by the ONS only look at transactions that are directly between the UK public sector and the EU. Payments from the EU made directly to non-public sector bodies are not reflected in the table above and cannot be derived from ONS data. The European Commission does, however, publish figures on net contributions that take account of all payments to the UK, whether made to public or non-public sector bodies.

The European Commission figures are compiled using a different accounting treatment to the ONS figures. In particular, there is a different approach to when payments are recorded, with the European Commission figures including adjustments to budgets being moved between years. This means that the difference between the European Commission figures and the ONS figures is not simply EU payments to non-public sector bodies in the UK³.

The table below shows estimates of the UK's net contribution on the basis of figures published by the European Commission as reported by HM Treasury.

Table 2: European Commission figures on contributions to the EU (includes payments to non-public sector bodies)⁴

£ million	2010	2011	2012	2013	2014	5 year average		Latest year	
						2010-14	weekly*	2014	weekly*
[4] Net contributions (inc. non-public sector bodies)	6,790	6,300	7,500	9,130	5,710	7,086	135	5,710	110

Source: Annex B of "HM Treasury analysis: the long-term economic impact of EU membership and the alternatives".

*Weekly figures are annual figures divided by 52 and rounded to nearest £5m.

² HM Treasury, "European Union Finances 2015: statement on the 2015 EU Budget and measures to counter fraud and financial mismanagement", (<https://www.gov.uk/government/statistics/european-union-finances-2015>).

³ A full discussion of these figures and reconciliation for the year 2013 can be found in Annex B the HM Treasury document "European Union Finances 2015: statement on the 2015 EU Budget and measures to counter fraud and financial mismanagement", (<https://www.gov.uk/government/statistics/european-union-finances-2015>).

⁴ Data available in Annex B of "HM Treasury analysis: the long-term economic impact of EU membership and the alternatives" https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/517155/treasury_analysis_economic_impact_of_eu_membership_web.pdf

The figures for the net contribution including payments to non-public sector bodies (line [4] in table 2, around £110-135m a week) show the net level of resources being transferred from the UK as a whole to the EU.

Net contributions for public sector bodies only, shows simply transactions between public sector bodies and the EU (line [3] in table 1, around £170-190m a week).

The gross contributions after rebate figure (line [2] in table 1, £270-285m a week) shows the liability to the EU taking account of the rebate, disregarding the payments that the UK public and private sectors receive from the EU.

Finally, the figures for gross contributions before the rebate (line [1] in table 1, £335-365m a week). This is the liability that the UK has if one were to disregard both the rebate and the payments the UK receives from the EU.

I hope this is helpful and would be happy to discuss this further.

A handwritten signature in black ink, appearing to read 'Jonathan Athow', with a stylized, cursive script.

Jonathan Athow

Deputy National Statistician and Director General, Economic Statistics | Office for National Statistics

Annex A: Detailed table showing transactions between the UK public sector and the EU

9.9 UK official transactions with institutions of the EU

		£ million										
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Credits												
Exports of services												
UK charge for collecting duties and levies(net) ¹	QWUE	543	565	583	603	660	661	737	735	724	731	741
Other primary income and secondary income												
Other sectors												
Agricultural Guarantee Fund ²	EBGL	3447	3408	3221	2952	3051	3411	3059	3166	2625	2455	2309
European Social Fund	HDIZ	433	900	1305	795	608	609	642	388	585	247	221
European Coal & Steel Community Grant	FJKP	2	-	-	-	-	-	-	-	-	-	-
Central government												
Fontainebleau abatement	FKKL	3592	3655	3570	3523	4862	5392	3046	3144	3110	3675	4416
Other EU receipts	GCSD	134	104	112	207	98	92	93	77	132	81	70
Capital transfers												
Other sectors												
Agricultural Fund for Regional Development ³	FJXL	49	80	50	150	417	215	439	419	291	620	341
European Regional Development Fund	HBZA	1062	1402	618	707	972	640	758	603	438	297	1137
Other capital transfers from EU Institutions ²	EBGO	-	-	-	-	-	-	-	-	-	-	-
Total credits	GCSL	9262	10114	9459	8937	10668	11020	8774	8532	7905	8106	9235
Debits												
Other primary income and secondary income												
Other sectors												
Customs duties and agricultural levies ⁴	FJWD	2145	2237	2329	2412	2636	2645	2933	2925	2885	2914	2949
Sugar levies ⁴	GTBA	25	24	-	-	-	-	12	12	13	12	11
European Coal & Steel Community production levy ⁴	GTBB	-	-	-	-	-	-	-	-	-	-	-
Central government												
VAT based contribution ⁵	HCML	1764	1980	2165	2293	2255	1733	2172	2173	2279	2344	2388
VAT adjustment ⁵	FSVL	25	19	2	26	15	-140	81	24	3	-190	-
GNI own resource ⁶	HCSO	7565	8597	8358	7996	8628	10692	10718	10946	11401	13531	12084
GNI adjustments ⁶	HCSM	-16	135	163	327	-205	-137	101	12	-101	781	1678
Total GNI based fourth own resource contribution	M9LL	7549	8732	8521	8323	8423	10555	10819	10958	11300	14312	13762
Inter-government agreements	HCBW	-	-	-	-	-	-	-	-	-	-	-
EU non-budget (miscellaneous)	HRTM	-	-	-	-	-	-	-	-	-	-	-
Other secondary income to EU institutions	GVEG	-3	106	8	6	5	-14	-18	-17	-39	-15	-3
Total debits	GCSM	11505	13098	13025	13060	13334	14779	15999	16075	16441	19377	19107
Balance (UK net position with EU institutions)⁷	BLZS	-2243	-2984	-3566	-4123	-2666	-3759	-7225	-7543	-8536	-11271	-9872

1 Before 1989 this is netted off the VAT contribution but cannot be identified separately.

2 Other capital transfers from EU institutions are included indistinguishably with Agricultural Guarantee Fund receipts before 1996.

3 Up to 2006 this series includes the European Agricultural Guidance Fund.

4 Also known as EU traditional own resource.

5 Also known as third own resource contribution.

6 Previously known as GNP fourth own resource contribution.

7 A negative balance means the UK pays more to the EU than it receives.