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FIN 31
PE-L 6
INST 7

REPORT

From: Budget Committee
To: Permanent Representatives Committee/Council
Subject: Budget guidelines for 2016
- *Draft Council conclusions*

1. By way of preparation of the budget guidelines for 2016 to be established by the Council, the Budget Committee considered a set of draft Council conclusions, on the basis of a proposal from the Presidency.
2. At its meeting on 27 January 2015, the Committee reached an agreement on the text as recorded in ANNEX 1.
3. The Permanent Representatives Committee is invited to advise the Council to:
 - adopt these draft Council conclusions at the ECOFIN Council on 17 February 2015; and
 - arrange for them to be forwarded to the European Parliament, the Commission and the other institutions and to approve the draft letter in ANNEX 2 to that effect.

**Draft Council conclusions
on the budget guidelines for 2016**

Introduction

The Council underlines that the budget for 2016, being the third of the programming period 2014-2020, should play a key role in the development and delivery of the Union's objectives and priorities and especially in the progressive roll out of new programmes and actions.

The budgetary procedure for 2016 will still take place in a context of budgetary constraints in many Member States. Therefore, the Council emphasises the need to maintain budgetary discipline at all levels. The Council, while recalling the principle of solidarity, considers that the EU budget should take into account the current economic situation and also provide resources contributing to mitigate its negative effects, notably by seeking to boost growth, promote employment and create new jobs, as well as enhancing effective EU cohesion and increasing competitiveness.

As such, the Council considers that the right balance between fiscal consolidation and investments to boost growth is needed. This can be achieved especially through the prioritisation of objectives, along with the allocation of available resources to programmes and actions that contribute the most towards achieving these aims. The budget 2016 should provide the necessary resources to respect commitments already made and to implement the Union's 2016 policy priorities, taking into account a still high level of unpaid applications¹ at the end of 2014. The Council invites the Commission to present a budget in line with the aforementioned objectives, including the delivery of EU added value.

¹ According to Commission's state of execution of interim payments and submission of payment applications for sub-heading 1b of 20 January 2015, the level of unpaid payment applications amounted to EUR 24.7 billion at the end of 2014, whereas it amounted to EUR 23.4 billion at the end of 2013.

Key elements of the budget for 2016

The Council reiterates the need for a realistic budget respecting the principle of sound financial management. The level of both commitment and payment appropriations should be kept under strict control and be based on real needs. The level of payment appropriations should be adequate and has to reflect the payment profiles of the programmes, including the commitments made during the previous programming period 2007-2013 and the expected needs for the period 2014-2020.

The Council emphasises that the budget for 2016 and corrective budgetary tools shall strictly respect the relevant ceilings in accordance with the multiannual financial framework (MFF) Regulation for the period 2014-2020¹. Moreover, the Council stresses the need to leave sufficient margins under the ceilings in order to be able to deal with unforeseen circumstances.

As the draft budget presented by the Commission will be the starting point of the budgetary procedure, the Council urges the Commission to deliver high-quality forecasts concerning both revenue and expenditure. The appropriations included in the draft budget have to reflect genuine needs, taking into account outstanding commitments, future needs, payment profiles, past implementation and absorption capacities. In this respect, the Council asks the Commission to deliver, together with its draft budget and during the whole budgetary process, timely, precise and transparent information on the underlying assumptions and budgetary figures.

With regard to revenue, the Council encourages the Commission to deliver reliable and accurate forecasts on own resources, including all sources of revenue. An accurate draft budget is essential to allow Member States to anticipate the level of their contributions to the Union's budget with a higher degree of precision. In this context the Council calls on the Commission to undertake appropriate measures in order to avoid unexpected calls for additional contributions from the Member States, especially when the impact on national budgets could be high.

¹ Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020 (OJ L 347, 20.12.2013, p.884).

The Council believes that full transparency regarding assigned revenues is necessary for a sound financial management of Union funds. It calls on all institutions, agencies and other bodies to continue providing all the relevant information promptly and on a regular basis.

The Council also urges the Commission to provide precise, timely and updated information on past and future implementation in line with the provisions of the Interinstitutional Agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management¹ (IIA). This is essential to ensure precise implementation in order to avoid over-budgeting, as well as unjustified and excessive carry-overs. It also allows the budgetary authority to assess any possible requests for additional appropriations or redeployment of existing resources. The Council expects the Commission to make every effort to implement the budget within the allocations agreed in the annual budget. Corrective budgetary tools, such as amending budgets, should be kept to the strict minimum and in line with the Financial Regulation². However, if corrective measures prove to be necessary, the Council reaffirms its commitment to take a position on a potential draft amending budget as soon as possible.

While taking note of its decrease³, the Council will continue to maintain an oversight of the volume of the outstanding commitments (RAL). It calls on the Commission to carefully monitor these amounts and to settle or decommit them in a timely manner and in line with the relevant rules. In preparing the draft budget, the Commission should take into account the close relationship between commitment and payment levels, the level of outstanding commitments, the need to respect the MFF ceilings, the absorption capacity and past implementation rates. The Council invites the Commission to develop the appropriate tools to monitor the evolution of the RAL by heading and by programme on a yearly basis.

¹ Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (OJ C 373, 20.12.2013, p. 1).

² Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

³ According to the Commission's implementation report of 12 January 2015, the level of Commission's outstanding commitments (RAL) amounted to EUR 189 billion at the end of 2014 whereas it amounted to EUR 221.8 billion at the end of 2013.

Specific issues

Comprehensive budgetary documents

The Council encourages the Commission to continue improving the documents accompanying its draft budget in line with the Financial Regulation. These documents should be transparent, simple and concise and clearly justify the requested appropriations, including their repercussion in terms of payment profiles for the following years. In this context, the Council invites the Commission to accompany any proposal modifying the agreed level of commitment appropriations with the corresponding impact in terms of payments over the programming period. Particular attention should be paid to the monitoring and assessment of both outstanding commitments and payments.

The Council acknowledges the usefulness of the Commission's "Budget Forecast Alert" system. Thus, if adjustments are required to the level of appropriations, they can be made in a realistic and rigorous way at the various stages of the budgetary procedure.

While recalling the importance of "Activity Based Budgeting", the Council underlines that high quality programme statements and timely financial information on spending proposals are crucial for the European Parliament and the Council to establish, confirm or modify budgetary priorities. Programme statements should, in particular, focus on performance information, including the results achieved, the justification for the level of appropriations requested, and on the added value of EU activities. This analysis should be clearly linked to the relevant budget lines in order to support the budgetary decision-making process.

Interinstitutional cooperation during the budgetary procedure

The Council encourages all institutions to collaborate efficiently and constructively, allowing for a smooth budgetary procedure and the establishment of the budget for 2016 within the deadlines set by the Treaty on the Functioning of the European Union (TFEU) and in line with the IIA.

The Council stresses the need to preserve the annual character of the budgetary procedure and to avoid discussions on issues not directly linked to the annual budget negotiations. It recalls that the purpose of the Conciliation Committee, convened in respect of Article 314 TFEU, is to establish the budget for 2016.

Furthermore, the Council invites the Commission to ensure the timely and equal access to transparent and objective information and documents at all the stages of the conciliation negotiations.

Administrative expenditure

In the context of fiscal consolidation in Member States, national administrations are obliged to optimise the use of limited resources. There is also a need for rationalization of EU's administrative expenditure. Therefore, the Council urges all institutions, bodies and agencies to reduce or freeze their administrative expenditure as much as possible and to request financing only for justified needs.

The Council calls on every institution and EU body to timely provide the Commission with clear, comprehensive and consolidated information of their administrative expenditure. In line with the Financial Regulation, the Commission shall attach to the draft budget the documents allowing the European Parliament and the Council to evaluate the situation and take well-founded decisions on the allocation and use of resources. Due attention should be paid to the comprehensibility and comparability over time and between institutions of the information provided.

The Council recalls the agreement, as stated in Point 27 of the IIA, to progressively reduce by 5 % the staff in all institutions, bodies and agencies between 2013 and 2017. In this context, the Council invites all institutions, bodies and agencies to appropriately report on the evolution of their staffing reductions, including contract staff. Likewise, the Council invites the Commission to consolidate all data received in the form of a comprehensive table and to monitor the implementation of the 5 % target.

Decentralised agencies

While recognising the multiannual character of the actions carried out by some decentralised agencies, the Council recalls that over-budgeting has often led to a substantial and unjustified level of carry-overs. It reiterates the importance of keeping their funding under firm control and limiting it only to substantiated needs. The Council calls on the Commission, when establishing its draft budget for 2016, to continue taking into account unused appropriations and excessive accumulated cash-balances in order to bring down their annual surpluses. It also urges the Commission to carefully check, and if necessary revise, the requests for funds and posts proposed by the agencies taking into account past implementation as well as the compliance with the 5 % staff reduction target.

The Council expects the Commission to continue providing the European Parliament and the Council with a comprehensive picture concerning agencies, including their building policy, together with the draft budget for 2016. In this context, the Council takes note of the establishment of the interinstitutional working group aiming at closer and more permanent scrutiny on the development of decentralised agencies.

Conclusion

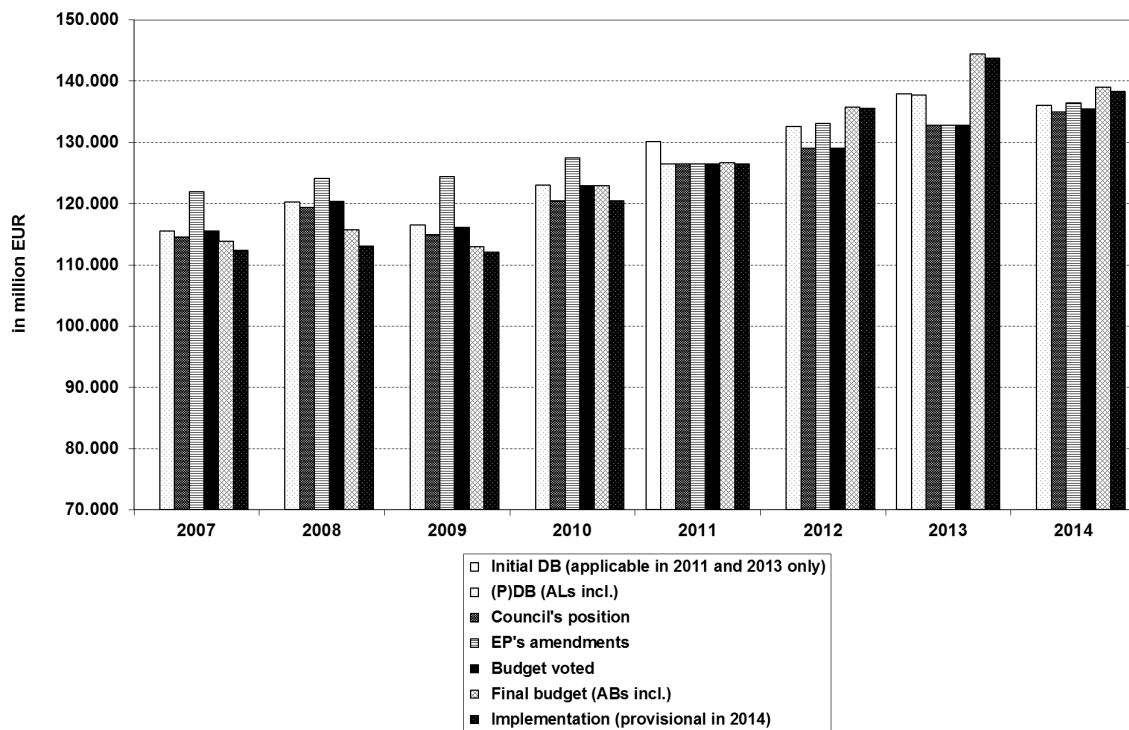
The Council considers that the EU budget should provide resources contributing to mitigate the negative effects of the current economic and social situation, notably by leveraging productive investments and providing the appropriate resources to boost growth and employment. It underlines that an accurate and accountable use of Union resources is one of the essential elements to reinforce the trust of EU citizens.

The Council will support a realistic budget for 2016, striking the right balance between fiscal consolidation and new investments conducive to growth and jobs. It underlines that a timely, transparent and accurate assessment of needs based on comprehensive budgetary information is an essential tool to reach this objective. Moreover, the Council emphasises the importance of reliable and precise forecasts of revenue, allowing Member States to assess in a timely manner their expected contributions to the EU budget.

The Council reiterates the great importance it attaches to these guidelines and expects them to be duly taken into account when preparing the draft budget 2016.

These guidelines will be forwarded to the European Parliament and the Commission, as well as to the other institutions.

Evolution of payment appropriations (2007 - 2014)



EVOLUTION OF PAYMENT APPROPRIATIONS (2007-2014)

<i>(EUR million)¹</i>										
Budgetary procedure	(P)DB	(P)DB (ALs incl.)	Council's position	EP's AMD	Budget voted	Final budget (ABs incl.)	Implementation ²	Final budget - implementation (figures)	Final budget - implementation (%)	Implementation / (P)DB (ALs incl.) (%)
	1	2			3	4	5	6 (= 4 - 5)	7 (= 6/4)	8 (= 5/2)
2007	116 370	115 531	114 613	122 016	115 497	113 846	112 377	1 469	1.29 %	97.27%
2008	121 533	120 347	119 410	124 196	120 347	115 771	113 070	2 701	2.33 %	93.95%
2009	116 744	116 546	114 972	124 488	116 096	113 035	112 107	928	0.82 %	96.19%
2010	122 316	123 061	120 521	127 526	122 937	122 956	120 490	2 466	2.01 %	97.91%
2011	126 527 ³	126 527	126 527	126 527	126 527	126 727	126 497	230	0.18 %	99.98%
2012	132 739	132 668	129 088	133 139	129 088	135 758	135 602	156	0.12 %	102.21%
2013	137 798 ⁴	137 798	132 837	132 837	132 837	144 451	143 785	685	0.47 %	104.33%
2014	136 066	136 061	135 005	136 444	135 505	139 034	138 366 ⁵	669	0.48%	101.69%
Total	1 010 093	1 008 539	992 973	1 027 173	998 834	1 011 578	1 002 294	9 284	0.92%	99.38%

¹ All absolute figures in nominal prices.

² Implementation = appropriations year *n* + carry-overs *n* - 1.

³ The initial 2011 DB amounted to EUR 130 136 million. A new DB was presented by the Commission in November 2010.

⁴ The initial 2013 DB amounted to EUR 137 924 million. A new DB was presented by the Commission in November 2012.

⁵ This total consists of:

(a) the provisional implementation figures for the *Commission* (available at 12/01/2015), and

(b) the figures for the budget voted for the *other institutions* as their provisional implementation figures are not yet available.

DRAFT LETTER

from : President of the Council

to : President of the European Parliament
Secretary-General of the Council
President of the Commission
President of the Court of Justice
President of the Court of Auditors
President of the Committee of the Regions
President of the European Economic and Social Committee
European Ombudsman
European Data Protection Supervisor
High Representative of the Union for Foreign Affairs and Security Policy

Dear Madam / Dear Sir,

I am sending you under separate cover⁶ the Council's conclusions on the budget guidelines for 2016, adopted by the Council at its meeting on 17 February 2015.

[Complimentary close].

⁶ Doc. 5310/15 FIN 31 PE-L 6 INST 7.