

## **Distribution and spending of Flemish Cities Fund resources could be improved, according to the Court of Audit**

*The Court of Audit examined the distribution and the spending of resources from the Flemish Cities Fund. It noted that there is no direct link between the share a city gets allotted by the Fund and the extent of the problems that the Fund intends to solve, so that the resources are not distributed in the most efficient manner. The Fund's policy objectives are formulated in a non-verifiable way, which makes it difficult to assess the pursued policy. Nearly all cities use the Fund resources to a certain extent to finance regular expenditure, as a result of which inequality arises towards cities which do not receive such means. The Court of Audit recommends to clearly specify the retained options at the level of urban policy, even if the Flemish authorities decided to intervene minimally in that choice.*

### **Flemish Cities Fund**

The Flemish Cities Fund aims at putting an end to the urban exodus and at widening the democratic basis in the cities. It became effective in 2003 and was aimed at the cities of Antwerp and Ghent, the «centre cities » (Aalst, Brugge, Hasselt, Genk, Kortrijk, Leuven, Mechelen, Oostende, Roeselare, Sint-Niklaas and Turnhout), as well as the Flemish Community Commission (*Vlaamse Gemeenschapscommissie* - VGC) as regards the bilingual area of Brussels-Capital. The Fund resources rose to 540,5 million Euros over the period 2003-2007 (duration of the first policy agreements). They are made up of the former SIF + resources and of the additional resources from the Social Impulse Fund (SIF) for cities with particular problems.

### **Distribution of the Flemish Cities Fund resources**

When distributing resources, a contribution is deducted in favour of the VGC and of the big cities, Antwerp and Ghent. This contribution is still calculated on the basis of the former FIS, which allocated funds according to criteria of social exclusion and poverty fixed in 1998. As a result, identical criteria are not applied to all the cities benefiting from the Fund. Moreover there is no clear link between the share which each city receives and the scope of the problems which the Fund aims at solving. The FIS criteria have especially been taken into account. A guarantee system was also built into the calculation method, which ensures that each city at least preserves its former share of FIS+ funds. As a result, large differences are noted in the allocation of resources between similar cities.

### **Policy agreements**

The cities can only apply the Fund resources to attain the aims determined by decree. To this end they must conclude a policy agreement with the Flemish government. The rules for drawing up these agreements are vague and incomplete. They lack in particular a test framework to assess the policy agreements. The Fund intended to give the cities as much as possible full scope for pursuing their policy, as long as they respected the Fund's aims. However, the strategic objectives of the Flemish cities policy and of the Flemish cities Fund are described in a vague and general way. Consequently, on completion of the policy agreements, it is impossible to determine if the objectives laid down by the Flemish authorities were carried out. The inaccuracy of the formulation and a broad interpretation of the objectives sometimes result into fund resources being used to finance the cities' regular expenditure.

### **Enforcement of the policy agreements**

The financial control by the Flemish administration on the cities' expenditure is sound. However, the administration does not submit all spending years of every city to a control. Generally the cities have performed as expected. But most of these services were measured using purely quantitative factors (e.g. number of accompanied unemployed, number of activities,...), without really measuring their effect.

On the basis of the current financial reporting by the cities the Flemish administration has no visibility on what each city has actually paid/allocated and it cannot determine whether the financial means assigned to each operational objective have been exhausted. Moreover it is not in a position to estimate the extent of the reserve funds of each city at the end of each year.

### **Minister's response**

In his answer, the minister of urban policy states that it is up to the new Flemish government to possibly adapt the mechanism of funds distribution. He emphasises that the current legislation makes it possible to express the performed services in terms of quantifiable units and that strategic indicators specific to each city have been included in the new policy agreements. He also announces that actions will be taken soon to meet several recommendations, one of which consists in checking if given expenditure can or not be allocated against the Fund.

**The audit report *Flemish Cities Fund: distribution and spending of resources* has been sent to the Flemish Parliament. The full report and this press release are to be found on the Court of Audit's website ([www.courdescomptes.be](http://www.courdescomptes.be)).**

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