

PRESS RELEASE

March 2019

Report to the Flemish Parliament

Towards a performance budget in local administrations and in the Flemish civil service

The Court of Audit has examined the introduction of a performance budget in local administrations and in the Flemish civil service. It noted that local administrations have a great deal of freedom in their practical interpretation of the rules relating to the policy and management cycle (in Dutch: beleids- en beheerscyclus or BBC), with consequences on the monitoring and supervision of appropriations by the local and provincial councils. Adjustments are planned from 2020 onwards. In the Flemish civil service, the concept of performance budget has only taken off during the current legislature.

Introduction

In 2003, an administrative reform of the Flemish government and of local authorities was promised. An essential instrument in this was the performance budget, which explicitly links input (budgets), policy (output) and - in the best case - effects (outcome), making it possible to assess and adjust policy on the basis of output and outcome, measured with relevant indicators. The policy thus becomes more transparent for the legislative body and the public. 15 years later, the Court of Audit has drawn up a state of affairs and has established that reforms at the Flemish government and the local authorities, which were started at about the same time, have seen a very different development.

BBC in local administrations

At local and provincial governments, performance budget and multi-year planning were generally introduced from 2014 onwards through the rules on the policy and management cycle (BBC). The intention was to arrive at a strategic, multi-year, output-driven planning and follow-up of the policy, with a stronger role for the councils. However, the boards involved were given a lot of freedom for the concrete implementation. These choices have important consequences, e.g. for policy reports to the council. Only for those policy objectives the Council has designated as priorities, can BBC-reporting be considered a performance budget; for the rest there is hardly any link between financial and content information. BBC also has a particularly high degree of freedom with regard to budget monitoring. The BBC-budget is, after all, much less detailed, which weakens authorization by the council.

The Court of Audit, which also checks the budgets and accounts of the provinces, has established that the five Flemish provinces have interpreted BBC very differently: differences apply to the choice of priority policy objectives, the further elaboration thereof, the charging of expenditure on objectives, the grouping of investments, etc. Due to the numerous technical schemes involved in especially the budget and the long-term plan, BBC is fairly technical and not easily accessed by the councilors. Evaluation by the Flemish government also showed that the council members often felt classification into priority and other policies was arbitrary and little transparent, so that the information did not always meet their



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expectations and they felt less involved in the policy. In the meantime, the provinces are supplementing mandatory BBC data with additional information, one more so than another.

BBC-evaluation has led to a number of adjustments since 2020: a lot of technical schemes have been deleted, reporting frequency on important parts of the policy is being increased and the boards are supposed to report better on non-priority policy. Much will again depend on the concrete interpretation the boards give to the new rules.

Administrative reform of the Flemish government

The basic principles of a multi-year performance budget for the Flemish government have already been described in the accounting decree of 7 May 2004, which was however never implemented. Only in the current government period the idea of a Flemish performance budget became, once again, more concrete, albeit without a legal basis. The aim is to link variable, legislative-related objectives to budget articles that remain stable across the legislatures. The next step is the formulation of indicators to measure achievements. This should result in a first performance budget preview through the contribution of the administration to the new government agreement

Minister's reaction

In her reply of January 16, 2019, the Minister of the Interior confirmed the findings of the report. She indicated that the large degree of freedom of interpretation of BBC constituted a deliberate policy choice. She also pointed to the adjustments to BBC rules from 2020 onwards, that will embed information requirements on non-priority policy more firmly in regulations.

Information for the press

The Court of Audit controls federal, community, regional and provincial public finances. It contributes to improving public management by providing parliamentary assemblies, managers and audited services with useful and reliable information, resulting from an adversarial examination. As a collateral body of Parliament, the Court operates independently of the powers it controls.

The report *On the way to a performance budget in local administrations and in the Flemish civil service* has been sent to the Flemish Parliament. The full version (in Dutch) and this press release can be found on the Court's website (www.courtofaudit.be).