



Hand Delivered

To the President of the House of Representatives
of the States General,
Prinses Irenestraat 6
2595 BD The Hague

Postbus 20015
2500 EA The Hague
070 342 43 44
voorlichting@rekenkamer.nl
www.rekenkamer.nl

datum September 24, 2024
betreft Points of concern regarding the draft 2025 budgets

Dear Mr Bosma,

Plans must lead to results. Transparent accountability for spending and performance builds on a good budget. This is the basis for trust in the government. A government that delivers and does what it promises. Ahead of the House of Representatives' debate of the budget, the Netherlands Court of Audit sends your House its considerations on the various draft budgets each year. In this overarching letter, we share our main findings on:

1. The traceability of financial resources.
2. The government's definition of its goals.
3. The feasibility of the plans.

Summary

- *The Schoof government's spending increases and cuts and the allocation of funds to the three new ministries are easy to follow.*
- *Goals are set so abstractly, if at all, that it will be difficult for parliament to monitor and oversee progress.*
- *Most of the draft budgets do not pay due attention to risks and uncertainties in policy implementation but parliament needs this information to prevent unexpected policy outcomes and/or expenditure and to exercise proper scrutiny.*

Besides this letter, we publish 15 letters on the ministries' draft budgets for 2025. Below, we look at the three aspects noted above.

ons kenmerk 24003131 R

bijlage(n)



1 Traceability of financial resources

We analysed whether the Schoof government's presentation of additional resources and spending cuts were easy to follow, including the transfer of funds for the creation of three new ministries.

Positive points:

- The Budget Memorandum provides an overview of spending cuts and increases and their impact on the multiyear forecasts.
- The allocation of resources to the new ministries is easy to follow. The draft budgets include conversion tables for the allocation (from budget x to budget y).

Considerations:

- The Budget Memorandum provides no insight into the relationship between the Outline Agreement (HLA) and the budget articles.
- Tables in the budgets refer to measures in the HLA in different ways. The measures' numbers, for instance, are not always cited and the measures are sometimes given another name. Sometimes only the note to a movement explains that the movement is due to the HLA. Where a measure affects more than one budget or budget article, it is difficult to follow the relationship between the HLA and the budget (e.g. measure 34, development cooperation, measure 61, Climate Fund, and measure 63, regional housing strategy).

2 Government's definition of its goals

Following the 2024 accountability debate, several motions (van der Lee, Martens/de Kort) were passed asking for clear government goals. We examined the draft budgets with regard to:

- Wellbeing indicators.
- The goals in budget chapters.

We also looked at the strategic evaluation agendas with regard to policy effectiveness and efficiency.



Wellbeing indicators

The wellbeing indicators ('here and now', 'later' and 'elsewhere') are an effective means to follow long-term trends. Statistics Netherlands publishes a wellbeing factsheet on each budget. The question is whether and how ministers want policy to influence wellbeing.

Positive points:

- The indicators in the CBS factsheets are presented as contextual information in a number of draft budgets and the Budget Memorandum. Examples include Justice and Security's references in its draft budget to the high level of trust in the judiciary and Social Affairs and Employment's reference in its draft budget to people's great satisfaction with working conditions and work-life balance.
- In a handful of cases, long-term goals are named that are related to wellbeing indicators (for instance, top 5 most competitive countries, 55% CO₂ reduction, child poverty no higher than in 2024, Netherlands in the top for accessibility, innovation, 3% of gross domestic product for R&D by 2030).

Considerations:

- The Budget Memorandum and the draft budgets do not link wellbeing indicators to the ministers' goals and policy measures, contrary to the advice of the Budgetary Scope Study Group.
- The Netherlands Bureau for Economic Policy Analysis, Netherlands Environmental Assessment Agency and Netherlands Institute for Social Research stated in their joint reflection that the government had prioritised 'here and now' above the dimensions of 'later' and 'elsewhere'. These are political choices. We recommend that the effects and risks of all dimensions should be kept in mind, including measure to mitigate possible risks.

Goals in the budgets

Specific, measurable and time-bound goals increase the draft budgets' information value and enable the House of Representatives to monitor the progress of policy measures.



|

Positive points:

- Several ministries have set clear goals in their draft budgets:
 - Housing and Spatial Planning: Construction of 100,000 dwellings per annum, with a series of related sub-goals.
 - Agriculture, Fisheries, Food Security and Nature: (article 21) at least 15% of farmland in the Netherlands to be organically certified by 2030.
 - Health, Welfare and Sport: Administrative time halved to 20% by 2030.

Considerations:

- Most general goals per policy article are formulated in abstract terms.
- Government priorities, spending increases and cuts often cannot be clearly linked to precise goals in the draft budgets.

Budgets have long been more than financial documents. Proper exercise of the budgetary right requires both financial information and policy information: what is money being spent on and what are the intended results? To ensure the budget remains accessible, we have been calling for some time for a digital budget that links policy information to financial information.

Strategic evaluation agendas

Further to the Van Vroonhoven/Vermeer motion, you asked us to assess the strategic evaluation agendas for the budget chapters. Evaluations are important tools to learn about and improve policy effectiveness and efficiency.

Positive points:

- The evaluation agendas are very full. More than 200 evaluations will be completed in 2025. At your request, we refer to important evaluations in our letters on the individual ministries' budgets.
- Annexes 10 and 11 to the Budget Memorandum present comprehensive overviews of tax schemes. Table 10.6.1, in particular, summarises the outcomes of evaluations of tax schemes in 2020-2025. It also notes whether an evaluation has been followed up with policy.
- The Budget Memorandum (Annex 1, on budget rules) states that negative evaluations of tax schemes should lead to a scheme's abolition or modification.



Considerations:

- The results of evaluations of tax schemes rarely led to the abolition or improvement of tax schemes. The owner-occupied housing scheme and the agricultural exemption are examples of this.
- The evaluation agendas do not provide an insight into which expenditures in the current period of four to seven years have already been evaluated. The House therefore does not know what proportion of collective resources, including incomes, is evaluated and what proportion is not.

3 Feasibility of the plans

We wrote in the State of Central Government Accounts 2023 (May 2024) that many plans could not be carried out and many of the fourth Rutte government's ambitions were not realised owing to staff shortages or the complexity of rules and systems. We also noted that the House (and society) was regularly surprised by monetary and results-related windfalls and setbacks. Attention should be paid to the feasibility and simplification of plans. This also means that estimates should be robustly underpinned and uncertainties in policy results and finances should be identified at an early stage. This would limit future surprises, disappointments – 'policy crises' – and prevent ad hoc cuts to remain within the EU's 3% budgetary limit.

Positive points:

- Some budgets do identify risks, for instance:
 - Foreign Affairs acknowledges that the estimate of revenue from the EU Recovery and Resilience Facility is weak.
 - Finance notes that the amount available to rectify the repayment of child benefits was based on a rough estimate with significant uncertainties.
 - Several programmes are named to simplify income support, benefits, taxes, etc.

Considerations:

- Most of the draft budgets do not consider financial or result-related risks, for instance:
 - Despite years of overspending, Asylum and Migration will significantly reduce expenditure on the reception of asylum seekers as from 2027, yet it is not certain whether the number of asylum seekers will decline at the



same rate. The minister, however, does refer to uncertainty in asylum forecasts for the next three years.

- Scarcity on the labour market can frustrate the realisation of plans. This could lead to underspending and failure to meet goals.
- The budgets include reduced spending on the civil service and external parties. This is mainly a technical measure because specific plans are often not named. We note that implementation is not always spared from the spending targets. It follows from our earlier reports that implementation is already under pressure.
- The plans for the Rural Area and Nature Transition Fund have been discontinued. The budget annex to the Outline Agreement states that an amount of €20.5 billion reserved for the fund on a supplementary item at Finance will be cancelled. The minister does not clarify in the budget whether ambitions will be adapted or whether this change will have consequences for compliance with European agreements such as the Water Framework Directive and the Bird and Habitat Directive.
- Some measures could lead to new implementation problems, such as the exemptions from the high rate of VAT.
- A recurrent point for attention named by the Court of Audit is central government's use, as one of the few EU countries, of the obligation-cash accounting system. On account of this system, cash balances have to be transferred each year and there is little insight into assets, investments and long-term maintenance obligations. An accrual accounting system would be more appropriate to account for assets, obligations and related financial risks.

Partly at your request, we will review a number of feasibility studies as part of our 2024 accountability audit, asking whether qualitative and quantitative staff shortages play or have played a role in decision-making on new legal and other measures.

4 In closing: Three new ministries

The new government has created three new ministries: Climate and Green Growth, Asylum and Migration, and Housing and Spatial Planning. Each minister has his/her own budget and is responsible for the development, adoption, execution and evaluation of policy and for the information set out in the budget and annual report. Ministers who head a ministry are also responsible for the ministry's operational and financial management. Good budgetary management, financial management and operational management are



Algemene Rekenkamer

not possible if the ministries do not have well-designed financial functions. One aspect of this is that ministers receive independent advice on financial and economic matters. Regardless of the organisational design, it is vital that safeguards are in place to guarantee the independence of the financial function.

We trust this letter will be of use in your House's budgetary procedure and budget debates. To coincide with it, we are sending your House letters with considerations on the 2025 draft budgets of Agriculture, Fisheries, Food Security and Nature, Asylum and Migration, Climate and Green Growth, Defence, Economic Affairs, Education, Culture and Science, Finance, Foreign Affairs, Foreign Trade and Development, Health, Welfare and Sport, Housing and Spatial Planning, Infrastructure and Water Management, Interior and Kingdom Relations, Justice and Security, and Social Affairs and Employment.

Netherlands Court of Audit

Pieter Duisenberg,
President

Cornelis van der Werf,
Secretary-General