

## PRESS RELEASE

June 2022

### Report to the Flemish Parliament

#### *Flemish accounts for 2021*

*The Court of Audit has presented the results of its audit of the Flemish government's accounts for 2021 in its accounts report to the Flemish Parliament. The 2021 financial year was still partly marked by the financial consequences of the corona pandemic, which the Court of Audit estimates at 1.8 billion euros. However, a number of key figures improved strongly compared to the previous year. Flemish government also took a number of recommendations from the Court of Audit to heart, such as the valuation of subsidiary companies or the creation of various provisions, so that Flemish public accounting is now more in line with reality. The Court of Audit was therefore able to approve all accounts, except for the economic accounts, on which it cannot make a judgment for the time being due to too many uncertainties. For example, many plots of land and buildings as well as civil engineering works are missing from the balance sheet. The off-balance sheet obligations, for example for the Oosterweel project, have not yet been sufficiently explained. Finally, the Court of Audit discussed a number of socially relevant policy themes, such as the development of the Flemish recovery plan, the waiting lists in childcare and care for people with disabilities, and the implementation of policy intentions regarding solar panels and target groups. The message is usually that the Flemish government is making progress, albeit insufficiently to fulfill all legislative ambitions.*

#### **Key figures**

Flemish Government has submitted the Flemish general account to the Court of Audit. The financial consequences of the corona pandemic have also influenced financial results of the Flemish government for the year 2021. The balance sheet and economic result were also influenced by the revaluation of capital participations and the creation of provisions. At the behest of the Court of Audit, among other things, to include subsidiary companies in the valuation, Flemish government has increased the valuation of the participations in its general account for 2021 by almost 1.3 billion euros. Also following comments from the Court of Audit, it has booked more than 1.5 billion euros provisions in the 2021 account, including provisions for ongoing disputes and for pension files. This brought the 2021 balance sheet total to EUR 42.9 billion (compared to EUR 39.6 billion in 2020). The economic deficit decreased from 12.9 to 3.9 billion euros. The Court of Audit estimates the impact of the second corona crisis year on the Flemish government at almost 1.8 billion euros. The implementation of the budget was also more in line with the budget (EUR -0.6 billion compared to EUR -6.0 billion in 2020). The Flemish financing balance, the European comparability-adjusted balance of government revenues and expenditures, decreased from over 6 billion euros to 2.7 billion euros, but consolidated debt increased further from 30.2 billion euros in 2020 to 33.4 billion euros in 2021. That increase was admittedly lower than estimated. According to the Court of Audit, the manageability of that debt remains an important point of attention. For the purpose of assessing budget objectives, Flemish

Government has excluded construction costs of the Oosterweel project and the expenditure for the recovery plan from this financing balance.

Together with the 2021 account, Flemish Government has for the second time also published a policy and budget statement (PBS) on the implementation of the budget, in order to provide more transparency about policy implementation. In most cases it already provided sufficient explanation about the evolution of the budgets and their implementation, but for certain policy areas this explanation needs to be even better. Linking figures to objectives, necessary for a fully-fledged performance-informed budget, has not yet been done.

### Judgment by the Court of Audit

The Court of Audit issued an opinion on the three partial accounts of the general account. Just like last year, it refrained from making a statement on the financial statements, because the balance sheet and its notes still contain significant uncertainties. For example, more than 1.6 billion euros of plots of land and buildings, together with an unknown amount of civil engineering works (canals, ports, bridges, tunnels, roads, bicycle paths, etc.) were still missing. The off-balance sheet commitments are also still insufficiently disclosed. These include important agreements in principle with major financial consequences in the coming years, outstanding commitments by Flemish legal entities that the Flemish Community still has to fund and important pending files on the consultation committee. Compared to last year, Flemish Government has now provided more information about the risks of ongoing disputes and pension obligations and about the valuation rules for the revenues from the special financing law.

As last year, the Court of Audit approved the budget implementation. It no longer formulated a reservation because Flemish government has fully committed the capital obligations still to be paid up for its own participations in 2021. The Court of Audit also provided an unqualified opinion on the ESA account, which translates the budget implementation into the economic regrouping that is used to combine the implementation figures of the Flemish Community and those of the Flemish legal entities in the consolidated account.

Finally, the Court of Audit also approved the consolidated account of the Flemish state government.

### Financial impact of the corona pandemic

In a separate chapter of its accounts report, the Court of Audit each year examines a number of specific, socially relevant policy themes. For example, the 2021 accounts report discusses, among other things, the budgetary impact of the COVID-19 pandemic, which was also significant in 2021 in all policy areas of the Flemish government. The Court of Audit estimates this at almost 1.8 billion euros, also taking into account the normal budgets that some policy areas have used. Some of the crisis measures will also cause expenditure in 2022. The budgetary impact of the guarantees and loans granted will only manifest itself in the coming years and, depending on the extent to which the economy recovers, could be significant. Moreover, there is as yet no definitive cost allocation between the federal and Flemish governments for the expenditure on vaccination campaigns. The checks on crisis support currently only cover 3.2% of all premium files. In the absence of sufficient inspection staff and a more targeted control strategy, a significant part of the premiums paid will not be able to be checked in time.

The corona pandemic also led to the Relance Plan *Flemish Resilience*, for which Flemish Government budgeted 4.3 billion euros in 2021. The plan concerns 158 one-off investment projects, 55 of which are also included in the National Plan for Recovery and Resilience, and

22 reform projects. For these 55 projects, Flanders can receive a European subsidy of up to 2.3 billion euros. The implementation of the plan remained well below budgetary estimates in 2021: just under 1.7 billion euros were committed and barely 0.3 billion euros was effectively settled. The reports of the Flemish government did not address these sub-uses.

### Waiting lists

In its accounts report for 2020, the Court of Audit gave an overview of the waiting lists that arose due to the major service needs and a shortage of resources in the sectors of social housing, heritage premiums, residential care centres, youth care and educational infrastructure. It concluded that the needs continued to exceed the available resources and that waiting lists are an imperfect tool for estimating the real needs. In its report on 2021, the Court of Audit notes that Flemish Government has made efforts to reduce the number of people waiting for support in childcare and in the care for people with disabilities through regulatory initiatives and an accelerated deployment of expansion resources. The impact of those efforts is gradually becoming visible, but it is also already clear that the impact in both sectors is too limited to achieve the expansion ambitions within the legislature.

### Implementation of policy intentions regarding solar panels and target groups

In 2021, Flemish government took initiatives to simultaneously achieve renewable energy targets, create a more cost-efficient system, reduce certificate surpluses and maintain confidence in green energy investments. However, according to the Court of Audit, the partial replacement of the certificate system by investment support with calls and one-off investment premiums for solar panels will not be more cost-efficient than the certificate system.

Flemish government has by now largely realized the Flemish coalition agreement 2019-2024 with regard to the activation of people with a greater distance to the labour market and the reform of the target group policy, including the abolition of a number of measures and the increase of the beneficiaries age of older workers. The number of employed staff decreased for all target groups, except for the Flemish support premium for employees with an occupational disability. Flemish government reached an employment rate of 75.9% at the end of 2021, but additional actions will be needed to achieve the target value of 120,000 extra workers by the end of 2024. The available data do not allow any statement about the sustainability of employment created with target group reductions, nor about the question whether all stakeholders find their way to the National Social Security discounts.

### Response of the minister

On 20 June, the Flemish Minister of Finance and the Budget replied to the Court of Audit's comments. He pointed to the progress compared to the previous year and emphasized that the main lines of the accounts are correct, including in the financial statements. According to the minister, the discussion could focus on specific points of attention, on which his administration takes steps to improve each year. In the coming years, for example, it will work on the annual cut-off, the grant flows between entities of the Flemish government, the valuation of the assets (civil engineering works, plots of land and buildings), ongoing disputes, the rights and obligations not included in the balance sheet, authorizations to be funded by the Ministry of the Flemish Community and the policy and budget implementation explanation. In doing so, the minister mainly responded to the comments linked to the certification sections in the accounts report.

### **Information for the press**

The Court of Audit exerts an external control on the financial operations of the Federal State, the Communities, the Regions and the provinces. It contributes to improving public governance by transmitting to the parliamentary assemblies, to the managers and to the audited services any useful and reliable information resulting from a contradictory examination. As a collateral body of the Parliament, the Court performs its missions independently of the authorities it controls.

The audit report on the *Flemish accounts for 2021* has been sent to the Flemish Parliament. The full version and this press release can be found on the Court's website:

**[www.courtofaudit.be](http://www.courtofaudit.be)**.