

Performance budgeting of non-standardized products; an assessment of improvements in the budget format of a Dutch governmental organization

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Abstract

Performance budgeting links resources to output units, whereby an organization's output is assumed to be homogeneous. A performance budget can thus be defined as the cost per single output unit multiplied by the total number of units of this output. However, it is difficult to apply this definition to most of the activities of provinces – in this case a Dutch province – because most provincial activities yield non-standardized products, i.e., complex project-type products. In this context the adoption of performance budgeting is a challenging operation. Our paper focuses on the final stage of a trajectory initiated to improve the performance information in the budgetary cycle for a particular group of users, namely politicians in the province of Groningen, the Netherlands. During this trajectory the improvements of the budget accomplished in terms of selectivity and concreteness were assessed. Selectivity means that the choice of the subprograms included in the budget is based on their political importance and sensitivity, while the remaining subprograms are just briefly mentioned without any further performance information. Concreteness means that in addition to the provision of relevant financial information, for each of the selected subprograms the consequences of the activities or projects are identified through the formulation of explicit performance standards for that specific budget year. We based our assessment on a survey held among the Council members of the province to investigate their appreciation of the new budget format, and on a content analysis of the 2010 budget concerning the extent to which the subprograms in this budget met the pre-established requirements. We conclude that on the one hand the Council members are appreciative of both the selectivity and the degree of concreteness of the outcome performances defined in the new budget format. However, on the other hand the content analysis of the 2010 budget appears to be far less positive about the accomplishments formulated in the new budget format, because many subprograms still lack sufficiently concrete information regarding their outcome performances. These mixed conclusions coincide with our observations during the meetings of the Council and its committees when the budgetary documents were discussed: the budget format revisions were largely supported but the newly developed budgetary information was not used properly. Our study demonstrates that under circumstances where outputs are not homogeneous, specific forms of performance budgeting are feasible. However, there is still much room for improvement in a technical sense, while the way in which the performance budget is being used seems to be less effective than initially expected.

Key words: performance budgeting, provincial government, the Netherlands

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1. Introduction

One of the aims of the recent public sector reforms in the Netherlands has been to improve the budgetary information available to elected politicians and enable them to execute their budget allocation, budgetary control, and accountability policies more effectively. Performance budgeting, an approach which links the budgeted performances in terms of outputs or outcomes to the expenses planned, is often advocated in this context. One of the implicit assumptions regarding the introduction of performance budgeting is that the potential users, particularly members of Parliament or local government councillors, use this new type of budgetary information in an appropriate manner. However, this assumption is contestable, as shown by the research on politicians' use of performance information in general and performance budgeting in particular (ter Bogt, 2004; Sterck, 2007; Taylor, 2009; see also Van Helden et al., 2008). These studies are primarily focussed on the reasons why elected politicians are hesitant in making use of performance information in the budgetary cycle. They seem to prefer informal to formal information – such as performance information in reports (ter Bogt, 2004) – and, if available, they use the latter primarily for accountability purposes rather than for steering and controlling (Taylor, 2009). Moreover, technical complications are sometimes hindrances for an internal use of performance information (Taylor, 2009). Finally, there are indications that politicians generally lack the expertise to make proper use of more advanced accounting information, such as accrual-based data (Ezzamel, et al., 2005; Reichard, 2010).

Although it is the aim of our research to contribute to the body of knowledge dealing with this topic, we do not focus on investigating the reasons for the limited use of performance budgeting by politicians. Instead, we concentrate on the initiatives which might help enhance politicians' appreciation and/or use of the performance information in the budgetary cycle of a specific local government organization. The underlying idea is that the more politicians come to appreciate the performance information included in the budgets, the more they might be inclined to use this information in their decision-making and control processes. Our paper mainly focuses on the final stage of a trajectory which aimed to improve performance information in the budgetary cycle for politicians, i.e. the stage at which an assessment takes place of the accomplished improvements. It builds on earlier research in which we predominantly focussed on our role as consultant-researchers in this particular improvement trajectory (ter Bogt and van Helden, 2011). Our current paper aims to make a twofold contribution. First, we want to indicate to what extent specific forms of performance budgeting for non-standardized products can be usable. Second, our study wishes to assess the effectiveness of a newly developed outcome-oriented budget, and as such it is a practice-relevant form of public sector management accounting research. According to van Helden and Northcott (2010) most of the academic papers in this discipline are directed towards understanding or critiquing the use of management accounting techniques, while other more practically oriented research objectives, such as developing new techniques and assessing the effectiveness of existing techniques, are largely absent (see also Baldvinsdottir, et al., 2010).

The paper is further structured as follows. Section 2 sketches important changes in the accounting systems used by the Dutch local authorities. In this way, a more general outline is given of the context in which we started our project for the improvement of the budget of the province of Groningen, which is the topic of section 3. This section not only describes our research process and its main results, but it also provides some theoretical reflections on per-

formance budgeting of non-standardized products. Section 4 is the core of our paper, and it assesses the improved outcome-oriented budget of the case organization by discussing the councillors' appreciation of the new budget format as well as a content analysis of the 2010 budget. The paper ends with conclusions and issues for discussion in section 5.

2. NPM-like accounting changes in Dutch local government

In the last two decades, several changes have been introduced in the Dutch municipalities and provinces, i.e. the local government. Mostly, these changes have been aimed at rationalising the day-to-day management, making government organizations more 'business-oriented', and increasing efficiency and effectiveness. This can be considered in line with the New Public (Financial) Management (NPM; Hood, 1995; Humphrey et al., 2005).

Until the mid-1980s, the financial management of the Dutch local government was, similarly to that of local governments in many other countries, traditionally highly input- and process-oriented, i.e. organizations were controlled on the basis of financial budgets and administrative procedures. Output-oriented planning and control as well as private sector management approaches were at the core of the innovations implemented by the Dutch local government in the 1980s and 1990s. These changes were brought about by the budgetary deficits in the 1980s, criticism within society with respect to the tasks and functioning of the government, as well as dissatisfaction within government organizations with the centralised organizational structures and input-oriented forms of control (ter Bogt and van Helden, 2005, pp. 248, 255-256).

In 1979, an alteration in the Governments Accounts Act obliged the Dutch provinces to introduce accrual accounting as from 1982. Furthermore, municipalities have had to apply accrual accounting since 1985.

In response to changes in, for example, the public and political appreciation of the government tasks and due to budget cuts in the 1980s and 1990s, many local government organizations introduced output-oriented planning and control documents, such as budgets and related interim and annual reports. These documents had to contain all kinds of information on government performance.² Another initiative which became very popular among the municipalities and provinces was the Public Management Initiative (PMI; in Dutch: BBI), which was started in 1987 with very high expectations (van Helden, 1998). PMI can be regarded as an NPM-like project, as the predominant changes introduced through PMI closely resemble those initiated through NPM (cf. Hood, 1995). In practice, PMI's main objectives were to rationalise the day-to-day management, to make government organizations more 'business-oriented', and to increase efficiency and effectiveness.

Through PMI, most municipalities and provinces introduced decentralised organizational structures. PMI's focus was particularly on the development of output-oriented planning and control, involving the use of output budgets, interim reports and annual accounts, all containing financial and non-financial performance information. This was intended to improve the organizations' insight into their performances and to increase their efficiency, transparency and public accountability. Further, through PMI, private sector management techniques were adopted, activities privatised, and instruments, such as job appraisal interviews, introduced – although sometimes hesitantly (ter Bogt, 2004, pp. 221, 244; 2008). Since the

² Within the Dutch government the term performance is mainly reserved for activities, outputs and outcomes. In this paper, the concept of performance is neither primarily associated with inputs, but also with activities, outputs (goods or services), and outcomes, as well as related aspects, such as data on processes, quality and service, and unit costs of outputs.

mid-1990s further reforms have been introduced, for example, those relating to strategy development, human resources management, the role of IT, and quality management, including multi-dimensional performance measurement. In addition, many organizations have started to take part in benchmarking projects (see also Kickert, 2000, pp. 113-121; Martens et al., 2002; Tillema, 2007, pp. 498-499).

Since 2004, following the introduction of the so-called dual system for local governments, the new Governments Accounts Act has required the Dutch provinces and municipalities to make a distinction between policy-based outcome budgets (i.e. programme budgets) and output budgets (i.e. product budgets). This change is a consequence of the dual system of government, which was introduced for municipalities in 2002 and for provinces in 2003. An important objective of the dual system is to enhance citizen's interest in and support for the local government and local politics, e.g. by strengthening the role of the Provincial Council and by stimulating the debate between the elected councillors and the Executive. In the former monistic system, the members of the Executive were also members of the Provincial Council. In the dual system, the responsibilities and powers of the Provincial Council are more clearly separate from those of the Executive, i.e. the Royal Commissioner (who is appointed by the Crown) and the other members of the Executive (who are elected by the councillors). Councillors are elected every four years by voters/citizens, whereas the 'other' members of the Executive (often former councillors, although the number of outsiders is growing gradually) are elected by councillors. The function of councillor is mostly a part-time activity (often about fifteen hours a week).

The introduction of the dual system has also resulted in various changes in the approach to planning and control. The Provincial Council is expected to outline the policies in the outcome or program budgets in a more explicit manner than in the past, whereas the Provincial Executive Committee is clearly responsible for the execution of the policy. The council determines the outcome budget, which is a broad overview of the programs in the various policy fields, and comprises the activities planned, the resources involved and the outcomes to be achieved. In practice, the contents of outcome budgets are often thoroughly prepared by civil servants and the Executive Committee. The Executive exercises control by means of the more detailed output budgets, which lists the products to be delivered and the resources that can be used (see also Bac, 2003, pp. 661-665). Outcome budgets and related documents, such as interim and annual reports, are meant to give a clear and general description of the municipal or Provincial Council's policy framework and programmes, enabling the council to exercise overall control. The municipalities and provinces are free to decide which programs and outputs they wish to define, what information to include in the output and outcome budgets, and which layout to use.

3. Theory and methods

This section firstly introduces some theoretical ideas about performance budgeting in the case of non-standardized products (section 3.1). Subsequently, it elucidates the various steps in the process of revising the performance budget of the province of Groningen, which predominantly produces non-standardized products (section 3.2).

3.1 Theoretical reflections on performance budgeting of non-standardized products

Our study wants to contribute to the understanding of the design and use of performance budgeting under circumstances different from those generally associated with this approach.

In its most strict sense performance budgeting establishes a linkage between resources and units of output, whereby an organization's output is assumed to be homogeneous (Freeman and Shoulders, 2003, p. 94; OECD, 2007, p. 23; Mikesell, 2011, pp. 242-245). Given this assumption, a performance budget can be defined as the cost per unit of output multiplied by the number of units of this output. However, this definition cannot be properly applied to the majority of activities of a Dutch province. Three circumstances are relevant in this respect. First, some provincial activities can be characterized as relatively unique in that they are executed to realize a project rather than a production process resulting in a homogeneous output. In a project-context there is no output indicator, or it is meaningless (for example when the output indicator is the number of projects finalized). Second, provinces also undertake activities in collaboration with other actors, such as municipalities and not-for profit organizations. This cooperation involves processes of co-production in which it is difficult to specify the exact contribution of each of the participants. Third, with respect to a substantial number of provincial activities effects rather than outputs are relevant, but some of these effects are only observable beyond the annual budget cycle, which makes it difficult to identify them within the given budgetary time span. To some activities even two or all three of these circumstances may apply. In this case, the formulation and use of a performance budget are more challenging than under the conditions generally associated with this way of budgeting.

In our study we want to demonstrate that even under these irregular circumstances specific forms of performance budgeting are in fact feasible and usable. In particular the following features of the performance budget are expected to be opportune. First, a project is often a complex set of interrelated tasks, which in order to be appropriately characterized requires extensive information on the nature of these activities and their effects. To avoid an information overload the performance budget should therefore be concentrated on a restricted number of projects (and programs). In addition, since effects often occur beyond the scope of the budget period, it is important to focus on the consequences occurring within the budgetary year, and to present the wider societal goals as a justification rather than a goal that has to be achieved in the budget year. Finally, with respect to projects in which the province is only one of the participants, it has to be acknowledged that merely focussing on the contributions of this particular party provides a partial picture of the entire spectrum of activities and effects.

Notwithstanding these particular circumstances, which make the design and use of a performance budget more complicated than in circumstances of performance budgeting of standardized products, it remains important to specify the political ambitions – in terms of activities, effects and resources – in the budget as specific as possible. Fulfilling this requirement contributes to opportunities for the Provincial Council to outline the policies in the budget and exercise overall control of the Executive, as discussed in section 2.

3.2 The process of revising the budget of the province of Groningen

For the year 2003, the province of Groningen, as many other provinces, introduced an outcome budget. Since then some changes have been implemented, but in 2007 the members of the Provincial Council, who are the elected politicians, made clear that they were not very satisfied with its contents. The Council members criticized the programme budget in use, because 1) the formulation of its outcomes was often rather general and vague, and 2) there was often no clear relationship between the plans/studies/projects/programmes and the performance expected to be realized in that year. It was therefore considered desirable to improve the budget.

The subsequent change process ultimately resulted in a revised version of the budget, which can be characterized as having the intention to be *selective* and *concrete*. Selectivity

means that the choice of the subprograms to be included in the budget is based on their political importance and sensitivity (as determined by the ‘impressions’ of the civil servants and the indications given by the politicians). The remaining subprograms are therefore just mentioned without any further performance information. Selectivity is thus a reply to the need of avoiding information overload in the budget, as was discussed in section 3.1. Concreteness means that in addition to the provision of relevant financial information, in each of the selected subprograms the consequences of the activities or projects have to be identified through the formulation of explicit performance standards for that specific budget year. This requirement is a reply to the bottleneck in the then used budget, which included too many vaguely formulated outcome indicators.

We as university researchers were active as advisors during the process of changing the provincial budget, and we documented our findings as part of a longitudinal case study which comprised three and a half years in total, from autumn 2007 until spring 2011. Four stages can be distinguished, and in each stage, mainly qualitative research methods were used, as is summarized in table 1.

Table 1. Stages in the longitudinal case study

<i>Stage</i>	<i>Issues addressed</i>	<i>Methods used</i>
<i>1. Orientation (December 2007)</i>	Discussion with Council committee – awareness of need for change	Presentation and discussion
<i>2. Design and Testing (February-May 2008)</i>	Design of new outcome-oriented program budget format Two pilot programs based on this format Feedback from Council members and managers	Desk-research on budgets of other provinces; interviews with employees and members of the Council Interviews with council members and ‘design sessions’ with employees Feedback and discussion with Council committees
<i>3. Comprehensive elaboration (February-May 2009)</i>	Format developed in previous stage implemented in all programs, leading to comprehensive new budget format for 2010	‘Design sessions’ with employees
<i>4. Assessment (September-December 2009, May-June 2010, and December 2010-April 2011)</i>	Assessing the appreciation of Council members of new budget format Assessing the council members’ appreciation and use of the new budget format Assessing the extent to which the subprograms of the new budget meet the pre-established requirements	Attendance of meetings of the Council and Council committees, as well as interviews with employees Survey under all council members Content analysis of budget document

Although the table explains the main lines of the activities in each of the stages, some additional comments are provided as further clarification. First, the table shows that the stages can be seen as a life cycle of a new or revised accounting instrument consisting of the five ele-

ments diagnosis-design-testing-implementation-assessment. Second, the table indicates that the new accounting instrument is developed and implemented as a process of co-production of knowledge, during which in our capacity as consultant-researchers we intensively worked together with people from the organization, especially the civil servants who were responsible for preparing the budgetary information on specific policy fields or programmes. Third, the right-hand column shows that during the change process we made use of a variety of methods, ranging from consultancy-type practices, such as design sessions and presentations, to more research-oriented methods, such as interviews, a survey and a (documentary) content analysis. Finally, in the 4th stage we assessed the newly developed budget format in a number of ways, i.e. by observing the more or less formal assessment in the Council meetings, holding a survey among council members, and performing a content analysis of the budget document.

In the course of the change process it became clear that apart from technical implications, related to the types of information to be included in the budget, the use of the new budget format also needed a change in the ways of thinking of both the producers and the users of the budgetary information. We have documented this in a previous publication (ter Bogt and van Helden, 2011). Our current paper focuses on the final part of the longitudinal case study, i.e. the assessment stage, in which evidence should be provided about the extent to which the new budgetary format lived up to its expectations (see table 1). The next section contains this assessment.

4. Assessment of the budget revisions of the province of Groningen

This section firstly reports about the councillors' support of the new budget format and the way it is used, as appeared from meetings of the Council and Council committees (section 4.1). Subsequently, we present the results of a survey under the Council members which aims to investigate their appreciation of the types of revisions of the budget format (section 4.2). Finally, the results of a content analysis of the 2010 budget are provided, which assesses the extent to which the subprograms of the new budget meet the pre-established requirements (section 4.3).

4.1 Council and Council committee's support and use of the new budget

At the various stages of the process of revising the budget format (see also Table 1), the Provincial Council or particular Council committees were informed and gave their feedback.

During the pilot stage in the spring of 2008 we discussed the newly developed budget format, including the two pilot programs, firstly during the interviews with some ten councillors (as well as employees/managers) and subsequently during meetings of two council committees. This enabled all councillors involved in both pilot policy areas to give their view on the format and to come up with suggestions for changes. Based on the feedback we received during these meetings we prepared a revised draft of both the budgetary format and the pilot programs based on this format. In general this new budget format was supported, but the councillors asked for a more concrete elaboration of the two pilot programs, i.e., concrete in the sense of providing specific information on relevant performance indicators.

About one year later, in the spring of 2009, we were again involved in the renewal of the province of Groningen's budget. The Council committee in charge of budgetary and accounting affairs had decided that all budget programs had to be based on the new format. Our role was to support the financial employees and other staff members in preparing the appropriate information for the budgetary documents of ten programs in total. This resulted in the final program budget for 2010 which was completely based on the new format. Both the Council committee in charge of budgetary and accounting affairs and the plenary Provincial

Council have considered the new budget for 2010 as a big step forward in providing better information on the activities to be executed and the goals to be realised.

However, a specific steering group of councillors involved in the budget revision process pointed to the necessity for further improvements. In a letter of December 2010, this steering group, among others, recommended firstly that all subprograms – and not some of them as in the 2010 budget – need to include clear and specific performance information and, secondly, that mid-term policy notes have to identify policy ambitions in accordance with the new budget format.

In addition to this quite positive though still critical appraisal of the new budget format, a related issue regards the actual use by the Council and its committees of the resulting budgetary information. We as researchers attended several meetings of the Council and Council committees during the years 2008, 2009 and 2010 in which budgetary documents were discussed. In general, we observed a limited use of the newly acquainted budgetary information. This regard the two pilot programs in the 2009 budget, the full-fledged new budget of the year 2010, as well as the accounts over 2009, in which a variance analysis was presented between the plans and realizations of the two pilot projects. We expected, for instance, that councillors would criticize the vaguely formulated ambitions in some of the subprograms. Moreover, councillors were expected to come up with initiatives for including new subprograms in the budget because of their political importance. In the discussions about the accounts over 2009 we also assumed that councillors would criticize the reasons why some subprograms were not realized as planned. However, the discussions in the Council or Council committees revealed a predominantly lack of interest in the available performance information, or at least a quite uncritical use of it.³

4.2 Councillors' appreciation of the new budget format

In December 2010 and January 2011 we conducted a survey under the Council members of the province of Groningen. Two aims had to be achieved through this survey. First, we wanted to know how councillors use the budget (in addition to the more formal use in the Council and Council committee meetings, which was assessed in section 4.1). Second, it was our aim to assess their degree of appreciation for the revisions made in the budget format, which – as was explained in section 3.2 – can be typified by the labels selectivity and concreteness.

The provincial Council of Groningen includes 43 members. They are elected every four years and, generally, come together once every month in a general meeting. They additionally attend monthly meetings of Council committees related to certain portfolios, in which Council meetings are prepared and which have more room for discussions at a detailed policy level. After one reminder 21 Council members responded to our survey, which corresponds to a response rate of 49%.

How do these respondents use the budget? Their reactions can be summarized as follows:

- Around two thirds read and use the general part of the budget and those parts of the budget which are, given their portfolio (membership of a particular Council committee), the most relevant, while one third read and use practically the entire budget.
- About half of the respondents indicate that in the Provincial Council only the key issues and the financial policy are discussed, while the Council committees address the programmes concerned in full detail. The other half of the respondents shows a divided opinion, from which 37% indicates a less intensive use in the Council meeting and 13% a more intensive use.

Table 2 summarizes the appreciation of the respondents about the types of revisions of the budget format, as explained in section 3.2.

³ A further analysis of the official notes of the various meetings has to provide more detailed evidence.

Table 2. Appreciation of Council members about revisions in the budget format

<i>Statement</i>	<i>Agree or strongly agree*</i>
a. It is a good thing that the program budget focuses on politically relevant issues.	90%
b. I would appreciate it if the program budget included a larger spectrum of subjects than only the politically relevant ones, even if this means that the budget document would become much larger.	25%
c. As far as I am concerned the program budget can be shortened even more, even if this means that a stricter selection of politically relevant issues would be necessary.	40%
d. In my opinion the program budget is generally sufficiently concrete in indicating per program part (subprogram) the activities and effects to be achieved by the province.	70%
e. I find it acceptable that with respect to some program parts, where the province merely has the role of ‘director’, the activities and effects to be achieved are indicated less concretely than in the case of other subprograms, of which the province is the executor.	40%
f. In my opinion the program budget does not contain much ‘woolly language’ or vague formulations.	30%
g. It is good that the program budget does not so much serve as an ‘accountability instrument’ towards the Provincial Executive, but mainly functions as a document that promotes the debate between the Council and the Executive.	60%
h. The political choices of the Provincial Council are especially made during the discussion of the spring interim budget report.	85%
i. I do not find the program budget of particular importance for the province’s political decisions and monitoring the Executive’s activities.	25%

* For all statements respondents could choose between: strongly disagree, disagree, neutral, agree, and strongly agree, while also a non-opinion reaction was allowed.

The first three statements in table 2 are indicative for the support of Council members regarding the selectivity of the new budget format, in the sense that the budget intends to include only politically relevant issues. The table shows that the accomplished selectivity is supported by a large majority (90 %, see statement a). Less selectivity is advocated by 25% and more selectivity even by 40%.

Considering the reactions to the statements d, e and f, table 2 also shows support for the other type of revision of the budget format, i.e. that activities and effects are sufficiently concretely specified, although the extent of support is less strong than that for selectivity. That is, statement d is supported by 70% of the respondents, but the reactions to statement f, i.e. that the budget still contains too much vague wording, indicate that there is still room for improvement. Statement e supposes that in some program parts, where the province merely has the role of ‘director’, the activities and effects can be indicated less concretely than in programme parts, of which the province is the executor. This statement is, however, only confirmed by 40% of the councillors, which seems to imply that the idea of differentiation in the concreteness of activities and effects related to the types of programs does not receive the support from a majority of the respondents.⁴

The final three statements in table 2 relate to more specific consequences of the new budget format. Statement g is about the extent to which the budget is used by the Council for

⁴ Based on our own experiences (see section 4.3) we can add here that it might be difficult for several councillors to clearly distinguish the roles of director and executor.

accountability or debating purposes. The new budget format challenges the Executive and their employees to be as specific as possible about the activities to be undertaken and the effects to be accomplished. Councillors would thus benefit from an open attitude of the employees and the members of the Executive about their policy ambitions. However, holding the Executive strictly accountable for these ambitions could undermine the Executives' and managers' willingness to be transparent and open. To put it differently, a tight relationship between accountability and sanctions may be a hindrance for openness about intended activities and effects. The reactions to the statement g show that this way of using the budget by the Council receives quite an extent of support, because 60% of the respondents confirm the idea that the budget does not so much serve as an 'accountability instrument' towards the Provincial Executive, but mainly functions as a document that promotes the debate between the Council and the Executive.

Statements h and i, finally, deal with the importance of the budget in comparison with the so-called interim budget report. This so-called spring interim budget report is discussed by the Council around May of each year and it presents, among others, proposals for main priorities of policy making for the coming year. These main priorities are subsequently elaborated in the budget that is discussed in the autumn before the year starts for which the budget is established. The statement we presented to the councillors intended to find out whether the discussions about the spring interim budget report drive out politically important discussions about the budget (as was suggested in some interviews we had with civil servants and councillors in stages 2 and 3 of the longitudinal case study; see Table 1). The respondents corroborated this statement to a considerable extent. While the reactions to statement h show that the interim budget report is important for making political choices (85% of the councillors confirm this), the reactions to statement i indicate that discussions about the budget still remain important in this respect (i.e., only 25% of the councillors support the idea that the budget is not important for political decision making).

4.3 Content analysis of the 2010 budget

One of the purposes of the revision of the budget format was to encourage employees and members of the Executive to be as concrete as possible in identifying activities and effects in the subprograms of the budget. This section contains a content analysis of the 2010 provincial budget, which assesses the extent to which this purpose is accomplished. Before showing the results of this this assessment, we will explain the assessment method we used.

An assessment form has been developed which focuses on those parts of the subprogram that are labelled 'consequences in plan year 2010' also called 'activities and results/effects in plan year 2010'. This means that 'policy and goals in the long term' and 'resources', which are also part of the subprogram, are not assessed. Consequently, the analysis focuses on the performance information. A pilot study has been conducted in which the three researchers, independently of each other, use the assessment form for a selection of ten subprograms. On the basis of this pilot study and a discussion of the results the assessment form was revised, e.g. by recategorizing certain criteria for assessment and by clarifying the wording of certain scores. Then, the resulting form was used to score all subprograms. Scoring of each subprogram is executed by two researchers, and in case of divided scores, further discussions among them resulted in definitive scores. A priori it was acknowledged that there are differences in the role that the province plays in various policy areas (for example, executor or planner) and that this can affect the nature of the performance information; therefore, this role for each subprogram is also clarified. Given the goal of this content analysis, a computer-aided analysis would be inadequate. Scoring on the types of performances and the concrete-

ness of performances requires a certain expertise in interpreting complex budgetary documents.

Table 3 contains the assessment form which has been used. After the name of the subprogram is mentioned, the first row of this table scores the performance type. Based on the results of our pilot study and the consultancy work we did in a previous stage of the longitudinal project (see Table 1), we knew that – in addition to effects (outcomes) – also activities or combinations of activities and effects were indicated. Given that one of the aims of the revised budget format was to identify as concretely as possible the performances, the second row of the table provides three options, i.e., low, high and mixed, for assessing this. The third row gives five options for the role of the province; our pilot study has shown that often combinations of roles are appropriate, so here one, two or three roles can be indicated. Finally, the table gives room to explain the arguments for the scores.

Table 3. Assessment format for content analysis of 2010 budget

<i>Name subprogram:</i>					
<i>Performance type</i>	Exclusively activities	Both activities and effects	Exclusively effects		
<i>Concreteness of performances</i>	Low	Mixed (some low and some high)	High		
<i>Role province</i>	Supporter	Director	Supervisor	Planner	Performer
<i>Space for notes:</i>					

The 2010 budget of the province of Groningen contains 67 subprograms in total, divided over ten chapters; the number of subprograms within each chapter varies between one and twelve.⁵ The classification results will be presented in three ways. First, the relative numbers of subprograms belonging to combinations of performance types and degrees of concreteness of performances are provided. Second, illustrations are given of the most frequently found combinations of performance types and degrees of concreteness of performances. Finally, some more general observations about the content analysis are presented.

Table 4 presents the results of the content analysis in terms of the frequencies of the subprograms related to two classifications, i.e. the performance types and the degree of concreteness of the performances. This table shows that 55% of the subprograms only contain performances on activities and 45% of the subprograms contain performances on both activities and effects, while subprograms only encompassing effects do not exist. We further observe that the degree concreteness of performances is not substantially different for the two types of performances, i.e., either exclusively activities or both activities and effects. In a more general sense we conclude that the 2010 budget does not meet its pre-established requirements. First, because a majority of the subprograms does not contain outcome-oriented performance information, while the program budget intended to be outcome-oriented. Second, because there is mostly a mix of concrete and vague performance information, whereas performance information was expected to be as concrete as possible.

⁵ Currently 36 from the 67 subprograms in total are classified. Classifications will be completed after clarifying some ambiguities about the use of the format for content analysis.

Table 4. Classification of performances in the subprograms according to performance type and concreteness of performance (as percentages of total)

		<i>Performance type</i>			
		<i>Exclusively activities</i>	<i>Both activities and effects</i>	<i>Exclusively effects</i>	<i>Total</i>
<i>Concreteness of performances</i>	<i>Low</i>	14	5	0	19
	<i>Mixed (some low and some high)</i>	38	37	0	75
	<i>High</i>	3	3	0	6
	<i>Total</i>	55	45	0	100

Table 4 shows that the most frequently occurring subprograms are those that encompass either exclusively activities or both activities and (some) effects in combination with either a low or mixed concreteness of performances. We have to add here that in several cases the effects were only briefly indicated and in quite a general sense and not specifically related to the year 2010, i.e. the budget year under consideration. Table 5 gives illustrations for each of these types of subprograms. The lowest row of table 5 provides subprogram illustrations that in our assessment were regarded as being a concrete representation of performances. However, the illustrations of subprograms with a low specificity of activities or activities/effects are far from what in our opinion could be considered as a concrete presentation of performances.

Table 5. Illustrations of performances in four subprograms with diverging performance type and concreteness of performance

		<i>Performance type</i>	
		<i>Exclusively activities</i>	<i>Both activities and effects</i>
<i>Concreteness of performances</i>	<i>Low</i>	Monitoring and issuing permits on waste-water discharges 1. Implementation of law on waste-water discharges 2. Implementation of further to be developed projects on executional services 3. Execution of the law in collaboration with partners	External communication about provincial activities 1. Drafting action plan and organizing workshops for employees in policy field 2. Employees in various policy fields have communication skills and can cooperate with specialized communication advisors
	<i>Mixed (both low and high)</i>	Renovating old railway connection Execution of infrastructural measures between January 2009 and April 2010. Measures: 1. Renovation of rail connection between A and B 2. Construction of platform in B 3. Possible noise decreasing measures 4. Adjustment of level crossing safety to new situation 5. Provision of information to travellers and neighbours 6. After realisation infrastructural measures, railway connection can be exploited	Educational support regarding youth problems 1. Launching youth and educational monitor 2. Actions for early school leavers (reduction rate 10%) 3. Support projects strengthening relation school-labour market 4. Full connection between youth and family centres and educational institutions 5. Translating the education monitoring in concrete projects

Some more general observations finalize this content analysis. First, the degree of concreteness of performance information of a subprogram may be dependent upon the stage of this subprogram in the policy making cycle. In an early stage of this cycle, i.e., when policy still has to be developed, it could be problematic to be specific about performances to be achieved (see for example the illustration on ‘Monitoring and issuing permits on waste-water discharges’ in table 5). At a later stage in the policy making cycle, when policy execution is at stake, activities and effects can probably be specified more concretely. Second, dependent upon the role of the province, either activities or activities/effects can be specified. The railway connection example in table 5 suggests that it makes sense to concentrate on activities, because effects (in terms of, for example, travelling time) are beyond the scope of the province’s responsibilities since a private railway firm will run the railway connection. Finally, the findings suggest that the ambitions on the side of members of the Executive and their employees to be as concrete as possible about activities or activities/effects may play an important role with respect to the extent to which performances are identified in a concrete manner. The example on ‘External communication about provincial activities’ might be regarded as an illustration of this; in our opinion a lot of unnecessary vagueness on policy making ambitions was presented here.

5. Conclusions and discussion

Performance budgeting links resources to output units, whereby an organization’s output is assumed to be homogeneous. A performance budget can thus be defined as the cost per single output unit multiplied by the total number of units of this output. However, it is difficult to apply this definition to most of the activities of provinces – in this case a Dutch province – because most provincial activities yield non-standardized products, i.e., complex project-type products. In this context the adoption of performance budgeting is a challenging operation. Our paper focuses on the final stage of a trajectory initiated to improve the performance information in the budgetary cycle for a particular group of users, namely politicians in the province of Groningen, the Netherlands. During this trajectory the improvements of the budget accomplished in terms of selectivity and concreteness were assessed. Selectivity means that the choice of the subprograms included in the budget is based on their political importance and sensitivity, while the remaining subprograms are just briefly mentioned without any further performance information. Concreteness means that in addition to the provision of relevant financial information, for each of the selected subprograms the consequences of the activities or projects are identified through the formulation of explicit performance standards for that specific budget year.

We based our assessment on a survey held among the Council members of the province to investigate their appreciation of the new budget format, and on a content analysis of the 2010 budget concerning the extent to which the subprograms in this budget met the pre-established requirements. We conclude that on the one hand the Council members are appreciative of both the selectivity and the degree of concreteness of the outcome performances defined in the new budget format. However, on the other hand the content analysis of the 2010 budget appears to be far less positive about the accomplishments formulated in the new budget format, because many subprograms still lack sufficiently concrete information regarding their outcome performances. These mixed conclusions coincide with our observations during the meetings of the Council and its committees when the budgetary documents were discussed: the budget format revisions were largely supported but the newly developed budgetary information was not used properly. Our study demonstrates that under circumstances

where outputs are not homogeneous, specific forms of performance budgeting are feasible. However, there is still much room for improvement in a technical sense, while the way in which the performance budget is being used seems to be less effective than initially expected.

There seems to be an inconsistency between on the one hand the results of the survey under councillors, which shows a majority of them using the budget, and on the other hand the way performance information is used in official meetings, which points to a non-use or an uncritical use of performance information. This raises the question as to what do we mean with the use of performance information. In the survey we asked councillors to indicate whether they read the budget or specific parts of it, whereas during meetings of the Council and its committees using performance information was expected to relate to how this information underpins the Council's roles of political steering and controlling the Executive. The latter meaning of performance information use – contributing to decision-making and control – is obviously more ambitious than the former – just taking notice of the available information. That is why the inconsistency of the research results, to which we hinted, does not actually exist. It, however, raises another issue which requires further exploration: providing better – or, putting it more neutrally, 'richer' – information in budgets does not automatically lead to a more intensive use of this budgetary information for decision-making and control. It might be desirable to guide politicians in how they potentially can use performance information, for example by organizing training sessions. In a more general sense, unlike performance budgeting of standardized products, performance budgeting of non-standardized products is expected not lead to performance-based allocation of resources. Achievable is what OECD (2007, p. 15) calls 'performance-informed budgeting', which implies that resources are indirectly related to proposed future performance or to past performance and that performance information is used along with other information in the decision-making process.

In considering the accomplished budget revisions at the political level of the province of Groningen, we observe a gap between the original reform intentions and what has been ultimately realized. A further exploration of this gap can benefit from what Kurunmäki, et al. (2011) see as the travelling of New Public Management (NPM) ideas, in which they distinguish two dimensions. One is the interaction between ideas and instruments, i.e., in our research between the idea of result-orientedness of steering and controlling and the instrument of performance budgeting. Although performance budgeting was developed and even re-designed in the province of Groningen, the expected use – which relates to the idea of result-orientedness – is lacking behind expectations. The other dimension is the interaction between "the local" and the "non-local", in the sense of what is introduced as a general reform idea (the non-local) and how this has been elaborated in specific settings (the local). In the context of our research the non-local idea of outcome-oriented budgeting at the political level is faced with so much complications at the local level (for instance at the level of the province of Groningen) that a minority of the programs is characterized by outcome performances, while a majority only indicates activity performances. This raises the question whether central government politicians and their employees are sufficiently aware of the complications in drafting an outcome-oriented budget in a provincial setting, which is characterized by non-standardized products.

In the introductory section we formulated two contributions our research wanted to make. Here we will present some reflections on these ambitions. First, we wanted to indicate to what extent specific forms of performance budgeting for non-standardized products can be usable. Our research suggests on the one hand that, although progress has been made to provide better performance information in the budget, there is room for substantial improvement, i.e., a larger part of the subprograms can be characterized by specific activity and effect indicators than in the currently available budget. On the other hand, performance budgeting of non-standardized products at the provincial level is much more complicated than central gov-

ernment politicians and their employees assume. Second, our study aimed to assess the effectiveness of a newly developed outcome-oriented budget, as a form of practice-relevant public sector management accounting research. In our opinion, we accomplished this ambition by using multiple research methods: reporting about the use of the budget in meetings of the Council and its committees, holding a survey under the Council members and conducting a content analysis of the 2010 budget. However, our study also raises issues for further investigation and advises, especially by assisting managers and employees to formulate their policy ambitions in terms of concrete effects, and by helping politicians through training sessions in more actively using the available performance information in the budgetary cycle.

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