The constitutional Bylaw on budget Acts

The Treasury Single Account for an improved management of local authorities' cash resources.

Experience from France

The constitutional Bylaw on budget Acts

The LOLF basics

- The origins of the LOLF

- A clearer budget presented by public policies

-A more transparent and comprehensive budget

-The new face of public accounting : the government 's general financial statement

- Better budget documents

-A Perfomance-based budget with new management flexibility

The origins of the LOLF

-LOLF was enacted on 1 August 2001 to overhaul budgetary and accounting rules that dated back to 1959.

- In the late 1990s, Parliament launched a debate on the cost-effectiveness of public spendind and the role of the assemblies in budgetary matters.

-After a political consensus on the need to modernise the budgetary and accounting management rules, the Constitutional Bylaw on Budget Acts (LOLF) was passed on August, giving the administrations four years to prepare for this new framework.

-The budget Act for 2006 was the first to be fully prepare, adopted and executed using the new budgetary framework.

A clearer budget presented by public policies

•The new State budget architecture:

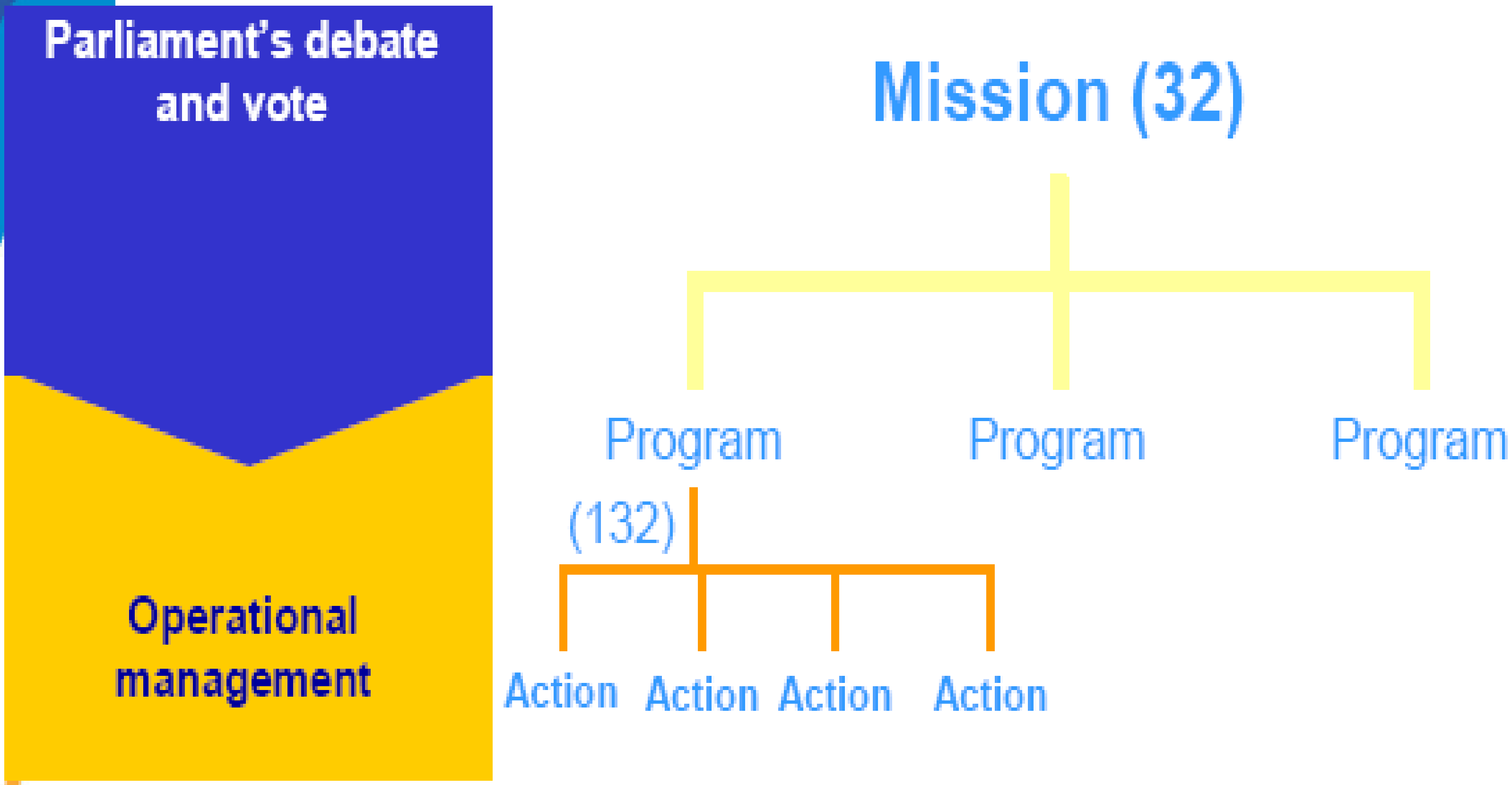
Missions, programmes and actions: three levels structure the general budget.

•The missions correspond to the main government policies.

•The programmes or allocations define the framework for the implementation of the publicpolicies.

•The actions define what the appropriations are to be used for.

A clearer budget : new Budget architecture



A clearer budget presented by public policies

- A vote that differentiates between commitment authorisations and cash-limit appropriations to improve the tracking and coverage of the public spending commitments.
- A two-way presentation of appropriations.
- Personnal expenditure capped by « programme ».
- Cap on staff per minitry.

A more transparent and comprehensive budget

- Zero-base budgeting.
- Cost analysis of the actions.
- Matching operators with « programmes ».
- The presentation of tax expenditure.

Greater transparency: the example of the Justice budget

Then: 30 chapters

Title III – Service resources
- Personnel – service pay
- Retired personnel – pensions and allowances
- Active and retired personnel, welfare costs
- Departmental equipment and operations
- Operating subsidies
- Sundry expenditure

Title IV – Public intervention
- Political and administrative interventions
- Social programmes – aid and solidarity

Title V – State investment
- Administrative and other facilities

Title VI – Investment grants awarded by the State
- Cultural and social facilities

Now: 6 *Programmes*

- Administrative jurisdiction
- The judicial system
- Prisons and correctional administration
- Legal protection of youth
- Free access to justice and legal aid
- Backing for judicial policy and related organisations

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The new face of public accounting :

- A broader accounting picture:

Article 27 of the LOLF introduce three dimensional public accounting:

Oversight; Value-added; Efficiency

- The new government financial statements:

It is made up of four financial statements:
- the government balance sheet
- the government income statement
- the cash-flow statement
- the appendix

- The benefits of this new information:

- for Parliament and general public
- for the ministries
- a government operational steering instrument.

Better budget documents

- In June of year Y-1, for the budget policy debate:

- The report on national economic trends and public finance guidelines.

- In October of year Y-1, for the budget bill.

- the documents appended to the budget bill:

the annual performance plans,

the economic, social and financial report

the cross-cutting policy documents and the general appendices.

- In June of year Y+1, with the budget review and annual management report bill:

- The annual performance reports,
- The State Audit Office ’s report.

A performance-based budget with new management flexibility:

• To make the transition from ressource-based culture to a performance-based culture to ensure that each euro is more usefully.

•The budget ’s performance component:

- Each programme is associated with a strategy, objectives and qualified performance indicators.

- Each indicator presents a value for the budget bill year and a medium term target.

A performance-based budget with new management flexibility:

Performance

In exchange for their high degree of autonomy, Program managers have to be fully committed to their goals and accountable for their management

Each program must have objectives (generally between 5 and 10), indicators (on average 2 for each objective) and targets for each indicator by end of year.

What is measured is the performance in delivering services. Therefore, the indicators must be focused on what can be done with the means and powers allocated to the program manager

- Goals or indicators on which managers' leverage is too weak should be avoided.

Objectives and indicators will clarify the budget policies presented to the Parliament in the annual performance plan

Examples of the three categories of strategic objective:

	Tax actions of the State and local public sector tax and financial management programme	National police and gendarmerie programmes
Socioeconomic effectiveness (citizen's point of view)	Encourage taxpayers to comply voluntarily with their tax obligations. React rapidly to any failure to file tax returns or pay tax. Tighten up enforcement measures for the most serious frauds.	"Increase the crime-solving rate". (Internal Security Act of 29 August 2002).
Service quality (user's point of view)	Use new technologies to make it easier to file tax returns and pay taxes. Provide users with a reactive service. Offer SMEs a one-stop contact in the tax administration.	Improve reception of the public in police and gendarmerie stations.
Managerial efficiency (taxpayer's point of view)	Cut the cost of tax management.	"Gear police and gendarmerie staffing levels to demographic trends and crime patterns". "Stop using police officers and gendarmes for jobs not strictly linked to security". (Internal Security Act of 29 August 2002).

The three lines of performance analysis

Standpoint	Goal	Sample goal	Sample indicator
Citizen	**Social and economic effectiveness**	Health: cut breast cancer screening time	Average time elapsing before breast cancers are detected
User	**Quality of services provided**	Police: cut police intervention time	Average time between police forces being alerted and their arrival on the scene
Taxpayer	**Efficiency**	Roads: reduce maintenance costs	Average maintenance cost per kilometre (A-roads)

Globalisation for more flexible management

- Globalisation of appropriations
- Asymmetrical Flexibility in appropriations management
- Multi-annual management of appropriations

Article 8

“The appropriations made comprise commitment authorisations and cash-limit appropriations.

The **commitment authorisations** set the upper limit on the expenditure that may be committed. In the case of an investment transaction, the commitment authorisation covers a consistent whole able to be implemented or executed without any additions.

The **cash-limit appropriations** set the upper limit for the expenditure that may be authorised for payment or paid during the year to cover commitments contracted under commitment authorisations.”

The Treasury Single Account for an improved management of local authorities' cash resources.

The benefits of a Treasury Single Account

Review of the Treasury's financial circuit in France

The benefits of a Treasury Single Account

- A legal and financial framework set by the State…..

Local authorities are only to some extent masters of the financial flows which might impact their accounts. In this field, the State plays a key role.

First of all, the State sets the rules regarding local authorities' revenue and expenditure.

In a clear extension of its sovereignty, the State implements the exclusive handling of funds, the recovery of local taxes by the Public Finance General Directorate network then the repayment, at a measured pace, to the beneficiaries.

Moreover, the State is at the direct origin of a significant part of the final resources of municipalities, departments, regions and their public establishments, by covering a growing part of local taxes and providing various assistance funds and subsidies.

The benefits of a Treasury Single Account

- based on the requirement of funds deposit by local authorities :

The Imperial Decree of February 27th, 1811 enacts the principle of requirement of liquid assets deposit by municipalities.

This principle was enlarged to departments under the Third Republic and reiterated in 2001 Article 26-3 of the Constitutional bylaw on budget Acts (LOLF) :
«Save as otherwise expressly provided by a budget Act, the local and regional authorities and their public establishments are bound to deposit all their liquid assets with the State».

This principle is not inconsistent with the decentralisation and free administration of local authorities.

Benefits for the State :

A single account maintained by the Central Bank (BdF), centralising the overall of public funds from :

the State
the local authorities
other public entities

provides the State with important financial margins :

Mass effect + additional products

This centralisation makes it easier for the State to deal permanently with its financial obligations, so that the cashflow position always allows the implementation of revenue and expenditure.

The State has the opportunity to invest its daily cash excess (reducing the burden of the debt), by minimising the balance of the State account at the Central Bank at the end of each day, even if the budget has a structural deficit.

A centralised management

Financial circuit

Local level

Accounting transactions operated by :
Local authorities

Public establishments

State level

Accounting transactions operated by :
Public Finance General Directorate accountants

Custom accountants

Central Bank

(Banque de France)

Benefits for the local authorities :

State garantee on the deposit of funds

Local authorities' accounts kept by the State

Free accounting and banking service provided by the State

Tax base, collection and control of local taxes

Advance payment of the monthly twelfths of the direct local taxes

Tax and financial advice

The Treasury financial circuit

The Treasury financial circuit describes the overall cash resources flows among the public sector, including :

1. Transactions operated by the State

2. Transactions operated by Treasury partners
(entities who deposit funds with the State, either on a compulsary or optional basis, according to laws and regulations or under agreements)

- Local authorities and public local establishments,
- Publics entities (public national establishments…)

Article 15, order of January 2nd 1959 :

« Save as otherwise stated by the Minister of Finance, local authorities of the Republic and the public establishments are bound to deposit all their liquid assets with the State. »

This principle was reiterated in 2001 Article 26-3 of the Constitutional bylaw on budget Acts (LOLF).

Article 43, Decree of December 29th 1962 :

« Save as otherwise permitted by the Minister of Finance, the funds of public entities other than the State must be deposited only with the Treasury. »

Who can handle funds?

Article 11, Decree of December 29th 1962 :

« **The accounting officer** alone shall be empowered to manage funds and other liquid assets. »

Article 114, Decree of December 29th 1962 :

« Only **State Accounting Officers** are entitled to handle the Treasury funds. »

Accounting Officers

- Accounting Officers from the Public Finance General Directorate (previously Accounting Officers from the Treasury and Accounting Officers from the Tax General Directorate)
- Accounting Officers from the Custom General Directorate

Civil servants from these administrations (specialised training) or senior administrative officials (senior accountants)
Accountable for the funds they handle
Specific payment scheme
Strong codes of ethics (disciplinary action)

The deposit of funds

Article 114, Decree of December 29th 1962 :

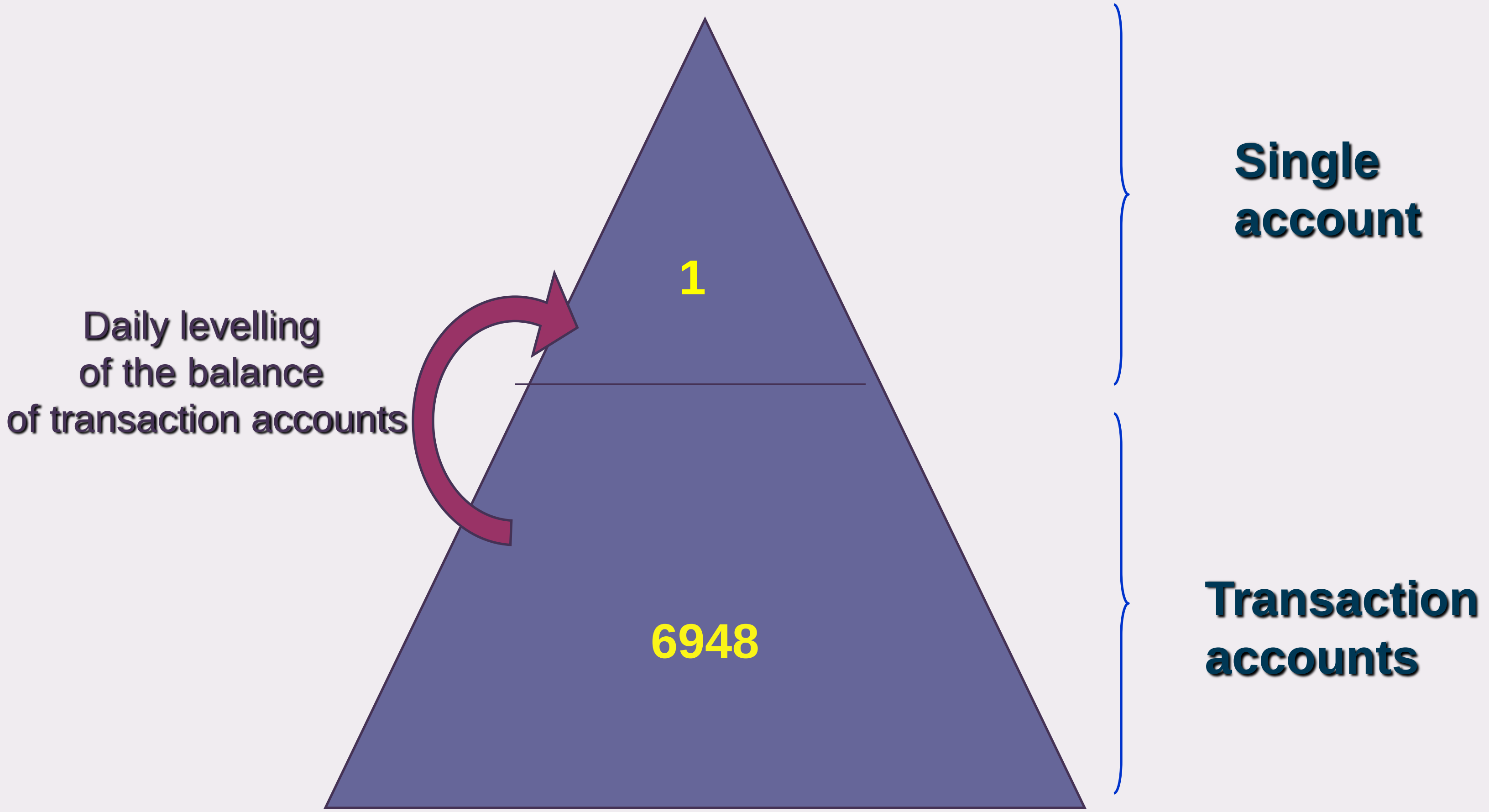
« …these funds are deposited at the **Central Bank (BdF)** in mainland France. »

Operating the Treasury Single Account

The Treasury account at the Central Bank (BdF)

- A single account
- Activated by all Accounting Officers
- Describing the cash flows from the State and its partners

THE TREASURY SINGLE ACCOUNT



Questions?