

Politics by numbers ?

An analysis of the annual budget discussion in Flemish municipal councils. *Working paper.*

New Public Management reforms in local government

All over Europe, local governments have been exposed to New Public Management (NPM) reforms. The basic idea of NPM is to make these local entities– and the responsible politicians! - much more businesslike; that is market-, performance-, cost-, efficiency-, audit- and output-oriented (Bochel & Bochel 2010, Diefenbach 2009, Pina et al. 2009). These reforms not only advocate administrative and legislative innovation, they also attribute a new role to local politicians by considering them as rational, goal steering, strategic and analytic thinkers (Steyvers et al. 2006). Politicians should provide guidance and define policies, deciding on priorities and setting targets (Steyvers et al. 2008, Liguori 2010).

In particular the local politicians were pivotal players in bringing the NPM idea into real practice; they had to be willing to implement the reform from ‘the bottom to the top’, starting at operational level. Councillors’ closeness to the public, the services delivered and the policymaking might enhance their knowledge of NPM instruments (Steyvers et al. 2006, Steyvers et al. 2008, Moynihan & Pandey 2010). Their support gives “political weight” to the NPM tools and plays an important role in integrating them in decision-making (Tat Kei Ho 2005). Councillors in municipalities are therefore considered as political protagonists within their municipality and their actions may be used as an appropriate indicator for the results that NPM reforms hope to achieve (Bochel & Bochel 2010, Brugué & Vallès 2005).

“What gets measured, gets done”

The advocacy of calculation and quantification is fundamental in this NPM vision of local governance as results-orientated activity. Some even call it ‘measurement fever’, quoting Osborne and Gaebler (1993:146) “what gets measured gets done” (Diefenbach 2009, Moynihan

& Pandey 2010, Lapsley 1999). As a consequence, local politicians were increasingly exposed to quantitative and financial information for efficient control and monitoring of local government activities (Lapsley 1999, Askim 2007, Yetano 2009, Leroy 2011). A classic example is the addition of analytical financial information – often associated with accrual accounting- to the annual budget (Pina et al. 2009, ter Bogt et al. 2011).

Politics by numbers ?

Local government reformers expected that the new financial analytical information would influence the budget discussion within the council (Lapsley 1999). In contrast with the ‘old style’ when budget discussions were mainly input oriented, the new analytical financial information (e.g. information from balance sheet, debt evolution, ...) with focus on effects and outcomes should improve the budget discussions and support better-informed decisions. The major difference between the ‘old style’ and the ‘new NPM style’ is that the ingredients evolved from regulation and input-oriented control to results or outcome oriented control (Schedler 2003, Pina et al. 2009).

Research on politicians’ use of performance information in general showed that these expectations are –at least- contestable (ter Bogt, 2004, see also ter Bogt et al., 2011). Concerning use of financial information, various factors explain why politicians only show a limited interest: the complexity of local government, unclear role distinction amongst politicians and administrators, different time horizons and politicians' negative perception of the information ((Yetano 2009, Pollitt & Bouckaert 2000, ter Bogt 2004, Johnsen & Vakkuri 2010, Van Dooren et al. 2010, Van Dooren & Van de Walle 2008, Van Thiel & Leeuw 2002, Hansen 2001, Liguori 2010, Steyvers et al. 2006, Schedler 2003, Van Hengel et al. 2010, Tat-Kei Ho 2005). Although,

these rather negative findings are nuanced by Askim's (2007) survey research on Danish councillors showing higher levels of utilization at operational level.

Regarding their behaviour, some authors (e.g. Ter Bogt 2001, 2004, Schedler 2003) revealed the existence of competing rationalities between the irrational political and the rational NPM thinking, the so called 'irrationality of rationality', causing disappointing results regarding the impact of NPM reforms on politicians' acting (Bochel & Bochel 2010, Lapsley & Pallot 2000, Lapsley 1999, 2009). Some even identify 'its lack of understanding for political processes and things political' as the most fundamental problem of the NPM-movement (Steyvers et al. 2006). The unpredictable nature of political decision-making is criticized as irrational and inefficient from this rational NPM logic. However, if NPM became totally senseless for political rationality than this could be a major obstacle for the successful implementation of many NPM projects in Europe (Schedler 2003).

Therefore, reformers, often the legislator, understood that in order to succeed, they had to get the use and benefits of this financial analytical information inside the political world in a way that politicians would pick up the ball in their behaviour (Lapsley & Pallot 2000, Schedler 2003, Bochel & Bochel 2010, Schedler). In other words, councillors had to be willing to behave differently as politicians by using rational, objective and focused information for control and monitoring of municipal activities (Windels & Christiaens 2006).

Many studies show that it is still not clear today how much of NPM tools such as financial analytical information has been absorbed in practice by politicians all over the world (Schedler 2003, Askim 2007). Most evidence on politicians' utilization of financial information is rather anecdotal and stems from case studies or survey material. They have provided valuable insight

and interesting hypotheses but little systematic evidence of levels and patterns of use (Askim 2007, Steyvers et al. 2006, Verhelst et al. 2011). We have far less knowledge about politicians' than about managers' behaviour. Moreover, it is not evident that findings concerning managerial use apply to politicians as they conduct their work in very different ways (Askim 2008, Lee 2008, Liguori et al. 2009). Literature often only focuses on executive politicians and mostly takes a qualitative approach (Guérin & Kerrouche 2008, Verhelst et al. 2011). In general, scientists in the domain of political and social sciences show a certain restraint to study the use of management tools. They rather stress the individual profile of councillors, (Steyvers et al. 2006, Guérin & Kerrouche 2008, Verhelst et al. 2011). They tend to reveal attitudinal effects, but do not examine real behaviour (De Groot et al. 2010). Vice versa, apart from a few notable exceptions (authors such as Askim, Van Helden and ter Bogt) accounting researchers are reluctant to investigate accounting topics with politicians as research object.

Moreover, the available studies primarily focus on why elected politicians are hesitant to use specific information in the budgetary cycle. They describe the bargaining process, institutional effects on the budget outcome and the impact of numerical and procedural constraints on the budget process (Blom-Hansen 2002). However, the enactment itself, when the budget has to be approved in the council largely remains uncovered. There have been some studies related to specific initiatives, for example, Frisco and Stalebrink (2008) analysed U.S. Congressional use of performance information and concluded that "we know little whether legislators discuss or dismiss PART (program assessment rating tool), or are even aware of its existence". Melkers & Willoughby (2005) investigated budgeting practices at state level but these results are not transferable to the local level which might show a different use pattern due to the closeness of local politicians to budget negotiations.

This means that we still know little about how much financial analytical information local politicians use for decision-making. Researchers only occasionally investigate the use of financial information for political purposes. Moreover, they mainly cover executive politicians' attitudes and focus on the availability of information. The key question remains if the 'average' councillor is able to perceive the new financial information as relevant and thus to use it adequately for political decision-making. This is the principal aim of the introduction of financial analytical information in local government.

Financial analytical information as arguments in budget debate

Any comprehensive investigation of real use in practice of financial analytical information, should focus on councillors' real behaviour as elected representatives (Lounsbury 2008, Lowndes & Leach 2004, Lounsbury 2008, Lapsley 2009). Therefore this research goes 'one dimension further' than for example the study of NPM elements as found in electoral programmes (Fattore et al. 2012). It attempts to investigate real practice. The annual budget debate offers promising perspectives to study the use of financial analytical information when 'politicians act as politicians' (Melkers & Willoughby (2005)).

From both a political and a managerial perspective the budget is of paramount importance. It is the main document on which the council bases political decisions whether a traditional budgeting and accounting system or an accrual system is used (Adam & Behm 2006). Because rhetoric is an essential element of political communication, the debate reflects how local politicians really behave and argue in the council. As a political act, the budget forms the basis for negotiation and plays a central role in the (generally incremental) allocation of resources among different political programs and purposes (Blom-Hansen 2002, Liguori et al. 2009). It reflects the strategic policy

options and shows how resources will be obtained and spent. The annual budget discussion is usually quite intense because it relates to the municipalities' strategic long term planning with important financial implications (Frisco & Stalebrink 2008). This is confirmed by Frisco and Stalebrink (2008) who analyzed the congressional committee reports for containing PART (Program Assessment Rating Tool) related content. The Budget Committee showed a more intensive use of PART ; 31% of all the congressional hearings related to budgeting.

Certainly in local government, the smaller albeit more direct nature of government means that a wider range of councillors may be able to comment knowledgeably on the budget (Melkers & Willoughby 2005). Therefore, the budget debate is an appropriate moment to assess the real use of financial analytical information in political practice, when councillors argue and behave as politicians.

Research question

This study aims to assess two questions currently under debate. Firstly, to reveal the extent to which councillors refer to strategic financial and analytical information for their argumentation in the budget debate and secondly, to uncover the determinants that influence this presence in the council debate. This combination of a political (that is, ideology, power,...) and a NPM (that is, analytical financial information) dimension, is rather innovative.

Firstly, we attempt to evaluate *if* councillors *refer* to strategic analytical financial information as arguments in the budget discussion as suggested by the NPM reformers. *Secondly*, which factors determine the presence of financial analytical information in the budget debate? There is extensive evidence that municipal conditions, governance structure, together with the characteristics and capabilities of the councillors themselves influence financial and accounting conditions (Giroux & Mc Lelland 2003, Brugué & Valles 2005). Therefore, as documented in

table 1, the following section will discuss three hypotheses on the impact of the political context in the municipality, the individual characteristics of council party leaders or their NPM knowledge on the presence of financial analytical information in the budget debate.

Hypotheses

Hypothesis 1: the political context of municipalities influences the budget debate.
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The first hypothesis concerns the political context in the municipalities. The budget cannot be disentangled from the political system, some even call it ‘an expression of the political system’ (Blom-Hansen 2002, Liguori et al. 2009). Indeed, the specific political environment in which politicians operate is expected to influence their behaviour in the council (Steyvers et al. 2008, Greasley & John 2010). *The strength of the majority* can be expected to determine the debate in the council (Solé-Ollé 2006). Views differ on how it affects the discussion of the budget. Askim (2008) states that a small majority creates greater risks that badly performing parties will lose power and it generates more competition between the parties. This high-competition environment is most promising for discussion. Risks stimulate parties in power to improve their performance and they use the budget discussion as an improvement strategy. Neutral, numerical and financial information may untangle decision-processes that have stalled due to fierce ideological, inter-party or interpersonal difference (Askim 2008). Others hold that low competition encourages discussion, because it facilitates fact-oriented discussions.

Public budgeting is a bargaining process between different coalition partners (Blom-Hansen 2002). Competition can be considered high when many parties are represented in the polity and when political blocks are equal in size (Askim 2008). This means that **coalitions generate more discussion** as different standpoints have to be reconciled. Goeminne et al. (2008) also argued that

more fragmentation leads to more discussion. Coalition governments tend to break down and complicate command and control mechanisms, they may dilute the coherence of policy delivery (Greasly & John 2010). **We will assume that the more parties in government, the higher the debate score.**

Besides the political conflict level in the municipality, some characteristics of the council itself might impact on the debate. Firstly, the presence of a **special municipal council commission for financial affairs** refers to a more professional organization and more commitment and engagement with the budget. Secondly, a more impartial council chair from outside the College of Mayor and Aldermen is expected to stimulate discussion and to show a more neutral and open attitude to the budget proposal of the College (pretesting information, Suykens 2010).

Hypothesis 2: Individual characteristics of local council party leaders influence the budget debate .

Skills and capabilities of councillors could also influence the budget discussion (Bochel & Bochel 2010, Verhelst et al. 2011). Given the relatively large number of councillors (7.464 in total for 2012), not everybody can be heard as much in the discussion. Therefore, we focused on the key members, the so called front benchers in the council, being the local party leaders in the council. (Askim 2007, Bochel & Bochel 2010). Their position provides room for strong minded individuals to exploit their role if they choose so (Bochel & Bochel 2010). Consequently, the hypotheses concerning **the individual characteristics of councillors are tested on local party leaders** (Verhelst et al. 2011). Councillors are in general **increasingly highly educated** and involved in local politics for a greater length of time (Guérin & Kerrouche 2008). However, there is contradiction in literature concerning the influence of education on the use of financial

information. The explanation usually offered is that people with advanced degrees and training are skilled at handling large amounts of formal, numerical or technical information. But Askim (2008) found that utilization of performance information is lowest among the best educated councillors because councillors will seek and emphasize performance information when they are unsure what to do, the best educated already possess the knowledge needed to make decisions (Askim 2008).

Concerning their **political experience**, results are again inconclusive. Some argue that highly experienced politicians have better abilities to interpret and make use of financial information. They are more efficient readers of large volumes budget documents and hence they can more efficiently interpret information (Askim 2008). In contrast, Melkers & Willoughby (2005) found that performance information usage decreased with experience. Inexperienced councillors were more receptive and more insecure than political veterans. De Groot et al. (2010) confirm this two rival suppositions, more experienced members tend to be more open-minded, but long-tenured members rely on routine and familiar information sources.

Thirdly and closely related to experience is their **combination of other political mandates**. Due to their broad networks within and outside the political body, 'cumulating politicians' are better positioned than less experienced to interpret financial information by comparing it against previous trends and working with other organizations (Askim 2008). During the federal (national) elections of 2007, 60% of the candidates held a local mandate, from which 40,4% were councillors. Of the final elected members of parliament, 70,8% occupied a local mandate of which councillors counted for 46% (Weekers et al. 2007).

Hypothesis 3: local party leaders' knowledge concerning NPM influences the budget debate.

The third and final hypothesis concerns council party leaders' knowledge of NPM concepts and tools introduced by the Flemish local government act, we could label it the 'applied part of NPM' in Flemish municipalities. We could indeed presume that councillors' usage of financial analytical information might be explained by a more comprehensive knowledge of NPM concepts and tools (Hood 1995, Askim 2007, 2008). Indeed, a more businesslike attitude and a certain predisposition for control and monitoring instruments is expected to improve the budget debate score (Steyvers et al. 2006). Based the NPM paradigm as conceptualized by Hood (1995) and on interviews with Flemish field experts we selected five relevant concepts (municipal management team, management control and policy cycle, internal control, autonomization and budget ownership) to assess party leaders' knowledge of NPM implementation in their municipality (Leroy 2011). We could label this the applied part of the Flemish local NPM regulation. **We expect that local party leaders' knowledge of applied NPM concepts increases the budget debate score.**

Control variables

In addition we control for possible interfering factors, the first being the overall debate culture of each municipality. Some have a tradition of open dialogue while others support a more closed consultative model. While in certain councils the budget discussion starts with a detailed clarification at the beginning of the meeting, in others there is no introduction at all. An elaborate explanation of the budget proposal demonstrates an appreciation for discussion and an openness towards comments. Secondly, the social and economic profile (size, population characteristics,

province, income, economic health, ...) of the municipality might influence the budgetary process (Blom-Hansen 2002, Verhelst et al. 2011). Thirdly, we check for professionalization of the municipality, if the budget is approved on time, this indicates that the municipality is efficiently organized and that the political negotiations went off smoothly.

Flanders as empirical setting

The Flemish case offers a favourable environment for this kind of study. Flemish municipalities were subject to similar NPM reforms as elsewhere in Western Europe (Windels 2006). In 2002, the Belgian authority over local entities was regionalized, as a consequence Flanders and the Walloon provinces followed a different reform track. Every Belgian region (the Flemish, the Walloon and the Brussels region) now has its own Local Government Act (LGA). The Flemish LGA is the most innovative one. Fitting with NPM, attention was given to a more businesslike and professionalized management of local government. The reform relates to aspects such as organizational culture, financial management, control, audit, human resources and result oriented policy planning and evaluation.

Flanders has 308 municipalities, covering between 80 and 480.000 inhabitants. They hold a threefold structure with a council, an executive and a mayor. The council is chosen through direct elections every six years and has the competence to fix the budget and proclaim municipal regulations. Dependent on the number of inhabitants, they count between 7 and 55 members. Most Flemish councillors have ordinary jobs and are only part-time politicians. The local councillor without an executive mandate spends an average of 7.63 hours per week on his task as councillor and this for a very limited monetary compensation (Reynaert et al. 2010).

The members of the executive (the College of Mayor and Aldermen) are elected by and among the council members, mostly as a result of a coalition agreement. The College consists of 2 to 10 members, they are in charge of day-to-day management and are presided by the mayor who actually is the real leader at local level (Goeminne et al. 2008, Valcke 2009). Local power (nearly) completely rests in the hands of the parties holding a majority position in the local council. This means that a multi party College reflects the absence of a clear majority in the council (Goeminne et al. 2008).

Taxes, grants and funds are the most important sources of income. In Flanders, taxes (on personal income and on property) are the primary source of income (47,2 %). The own resources (benefits from activities or results of financial investments) amount to about 10% (Valcke 2009). There are very important differences concerning financial capacity and budget structure. While the average expense comes to €561 per inhabitant, the smallest budget accounts for 561 € and the largest € 3.794, this is a proportion of 1 to 6. Another illustration; although taxes generate on average 49,4% of the receipts, this varies from the minimum of 18,9% and the maximum of 71,9% (Dexia Bank 2007).

Because of the principally mandatory character of the Flemish LGA, the context in which Flemish municipalities operate is largely homogeneous. This uniform empirical setting enhances the comparability of empirical findings (de Bruijn & van Helden 2006). Also, from a methodological point of view, a local-level context offers a number of advantages (Blom-Hansen 2002). Unlike studies using country data, we are able to control for institutional aspects and economic conditions as municipalities have a homogeneous institutional context. Flemish municipalities share common political and institutional systems, experience common economic shocks, employ similar budgetary processes and have identical electoral rules. A final advantage

of a data-set at the local level is related to the number of cross- sections. Municipal data allow testing models with a much larger number of observations (Blom-Hansen 2002, Goeminne & Smolders 2010).

Budgeting practice in Flemish municipalities

Until the mid-1990s, the financial management of the Flemish municipalities was, similarly to that of local governments in many other countries, traditionally highly input oriented, i.e. organizations were controlled on the basis of financial budgets and administrative procedures. Before 1995, Flemish municipalities' accounting was based on the budgetary model and primarily intended to limit spending. The adopted bases of accounting were commitment and cash. Budgeting was viewed as the only relevant phase of the accounting cycle, while year-end financial reports were virtually neglected. Bookkeeping was based on the single-entry system, which emphasized budgetary compliance. In 1995 the traditional cameral accounting system was transformed into a system towards businesslike accrual accounting (Windels 2006). Today local councillors are provided the financial and policy information to fulfil their goal steering and monitoring tasks (Leroy 2011).

The preparation of the annual budget generally follows the same procedure. Prior to the fiscal year (parallel with the civil year), a budget needs to be agreed upon. To this end, each municipality's financial department sets up a budget draft in August or September. This draft is discussed by the College of Mayor and Aldermen and the proposed budget that develops from these discussions is brought before the local council for ratification. In principle, this takes place on the first Monday of October (although only few municipalities actually meet the deadline). This council meeting is considered as the most important one of the year. Only when the budget

is endorsed before December 31, it can be executed (Goeminne et al. 2008). The precise role of the various actors involved in this budgeting process cannot easily be put into general terms. Legally, there is only the stipulation that the presentation of the budget is a responsibility of the College. Still, this does not mean that the College also technically sets up the budget. Indeed, in most of the cases the College is supported by the finance department of the municipality (Goeminne et al. 2008). Important for our purpose is that some municipalities set up special finance commissions to previously discuss the (technical aspects) of the budget proposal. However, based on our pretesting information we know that, because of its public character, the most important discussion takes place in the plenary council meeting (Olislagers & Ackaert 2010).

Method

This study attempts to investigate the use of financial analytical information in real political practice. The literal dialogue of the budget debate is the closest we can get to how politicians really behave in practice and how they use financial analytical information. Our approach is informed by discourse analysis, becoming increasingly widely used in the social sciences, including political science (Fattore et al. 2012, Bochel & Bochel 2010). Every transcription of the discussion is carefully analysed for containing references to financial analytical information. We could consider it as content analysis on political discourse.

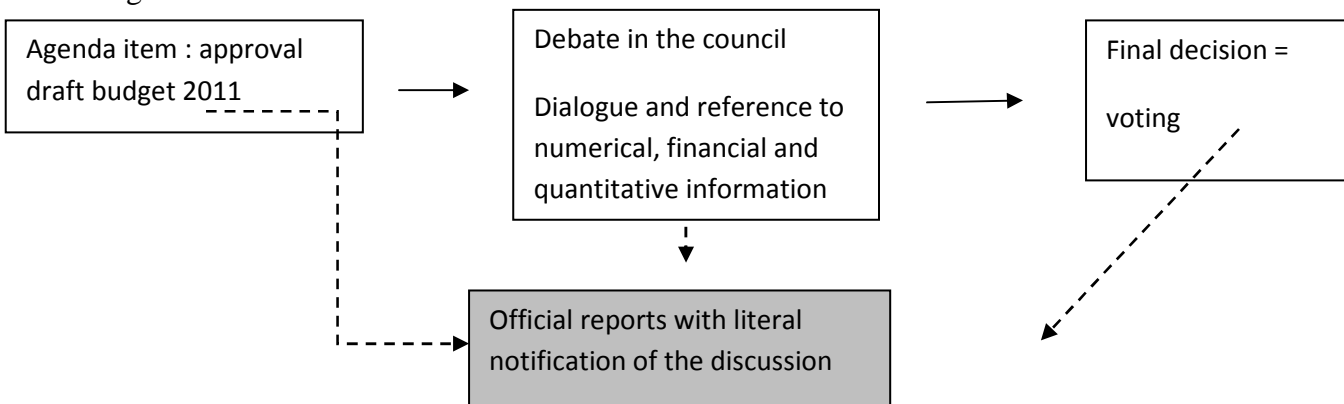
We score the councillors' interpellations during the budget debate (plenary council meeting) on the presence of arguments containing financial analytical information. The interpellations from councilors (not the executive politicians) that contain one of the 12 elements referring to analytical financial information are analyzed. An interpellation is considered as a group of

sentences containing a comment with argumentation. The interpellation usually ends with a reply from an executive politician (mayor or alderman). The study is limited to the interpellation by councilors, the replies by executive politicians are not taken into account. Firstly because we want to assess the ‘average’ councilors’ use of financial information, secondly because this would imply a double count of certain elements as executive politicians would respond referring to the (already counted) interpellation. Each discussion is scrutinized for containing references to 12 elements directly referring to the applied part of NPM in Flemish municipalities. Table 2 gives a comprehensive overview of the elements constructing the budget debate score.

Data

We collect our basic data and documentary evidence from a copy of the council’s meeting where the budget for 2011 is discussed (see figure 1). In addition, some data can only be acquired efficiently by asking the councillors themselves. This part could be called a limited survey, elaborated by means of a small online questionnaire. Furthermore, some municipal archival data stemming from secondary sources (i.e. Flemish agency for interior affairs) are collected.

Figure 1



Our sample represents almost half of the Flemish municipalities. We use data on 121 municipalities, based on a stratified random sample following a generally accepted detailed clustering of municipalities, taking into account some 150 socio-economic factors (Dexia Bank Belgium 2007).

Analysis

The dependent variable: budget debate score

A **budget debate score**, measuring councillors' reference to financial analytical information is constructed. This approach is rather similar to the so called management or accounting index (Christiaens 1999, Windels 2006) or the disclosure index used by Pina et al. (2009). The presence of financial analytical information during the budget debate is measured by scoring the argumentation in the budget debate on twelve representative items to assess the presence of financial analytical information. The total budget debate score varies between 0 and 82, with a (low) mean of 13 (figure 2). A more representative picture, taking the size of the municipality into account (budget debate score divided by the number of councillors), presents scores varying between 0 and 2.92 with a mean of 0,5.

Figure 2	N	Minimum	Maximum	Mean
detail_budget_score_total_councillors	121	,00	2,92	,5033
score_debate_detail	121	,00	82,00	13,0083

This means that councillors only limitedly refer to analytical financial information during the budget debate. To the question to what extent the average councillor use financial analytical information, we should answer, based on our data, that this is, in real practice, only to a limited

extent. This seems in line with the expectations of research concerning the use of performance information. It might be that councillors still argue in what we call ‘the old style’ with mainly input oriented argumentation. Otherwise there could just be little discussion about the budget, although this is not supported by the numbers in figure 3. The mean of 0,4 for the number of interpellations divided by the number of councillors suggests that on average during the budget debate there are as much interpellations as half of the number of councillors.

Figure 3	N	Minimum	Maximum	Mean
number of interpellations/number of councillors	121	,000	2,952	<u>.41868</u>

However, the scores and frequencies of the 12 distinctive elements, (figure 4 and 5), reveal that interpellations referring to debt or evolution of debt ratio, evolution of specific costs such as personnel expenses, transfers to other municipal organizations, strategic policy plans and comparisons with financial data from previous budgets or prognoses are clearly more frequent in the budget debate.

Figure 4 (scores/councillors)	N	Minimum	Maximum	Mean
detail_budget_score_total_councillors	121	,00	2,92	,5033
ref_strat_plan_councillors	121	,00	,59	<u>.0575</u>
ref_balance_councillors	121	,00	,16	,0116
profit_loss_councillors	121	,00	,24	,0297
debt_councillors	121	,00	,59	<u>.0577</u>
cost_evolution_councillors	121	,00	1,12	<u>.0593</u>
cashflow_councillors	121	,00	,17	,0091
reserve_councillors	121	,00	,40	,0287
time_councillors	121	,00	,81	<u>.1207</u>

error_councillors	121	,00	,19	,0141
amendment_councillors	121	,00	1,08	,0201
separate_art_councillors	121	,00	2,00	,0322
transfers_councillors	121	,00	,48	<u>,0625</u>

Figure 5 (total scores)	N	Minimum	Maximum	Mean
dep_detail_ref_strat_plan	121	,00	16,00	<u>1,4793</u>
dep_detail_balance	121	,00	4,00	,2893
dep_detail_profit_loss	121	,00	6,00	,7851
dep_detail_analysis_debt	121	,00	16,00	<u>1,4793</u>
dep_detail_financial_analysis_e volution_costs	121	,00	28,00	<u>1,5455</u>
dep_detail_financial_analysis_c ashflow	121	,00	4,00	,2149
dep_detail_reserve	121	,00	19,00	,7934
dep_detail_time_past_future	121	,00	33,00	<u>3,2066</u>
dep_detail_errors	121	,00	4,00	,3554
dep_detail_amendment	121	,00	27,00	,4711
dep_details_transfers	121	,00	12,00	<u>1,5455</u>
dep_detail_separate_articles	121	,00	54,00	,8430

These financial items will probably be considered as more politically relevant. Maybe the NPM idea of ‘politicians using financial analytical information’ only applies when they perceive it as politically relevant ? Councillors seem to be willing to use financial analytical information, but only when it matches their political intentions. This might support the idea of ‘competing rationalities’ where political rationality seems to predominate the NPM-like thinking.

Consequently, we could expect that especially the political determinant of the debate score will have significant effect.

The determinants of the budget debate score *(to be completed)*

In the following the hypotheses are subject to statistical testing using linear regression. The selected variables serve as predictors for a regression analysis (dependent variable=budget debate score/councillors) as shown in table 3.

The first hypothesis that the specific political context of each municipality influences the budget debate score is not supported by the results of the statistical testing. In fact, none of the political context variables reveals any significant effect on the debate score. The innovation introduced by the Flemish local government act in the form of a council chair not belonging to the College and the installation of a special commission for financial affairs do not seem significant for interpreting the budget debate score. They do not stimulate councillors' attention for financial analytical information. The conflict level measured by the number of parties in government and the strength of the majority neither have any significant impact on the budget debate score. This is rather surprising, given the dominance of political parties in the budgetary process and the presumed impact of the political context on the budget debate score.

In the second hypothesis concerning the individual profile of party leaders, only the professional use of financial information is significant ($p= 0,083$), although not at the 0,05 level. Indeed, it is very plausible that councillors working with financial analytical information for professional reasons would have a usage and knowledge advantage. Other predictors such as education, multiple office holding and experience are not significant. This cannot easily be explained and certainly requires further research.

The results of testing the third hypothesis reveal that, as expected, party leaders' knowledge of applied NPM concepts in Flemish municipalities' enhances argumentation with financial analytical information in the budget debate. Although we should bear in mind that the overall

reference to financial analytical information is rather low, this is encouraging for reformers as this was their principal purpose. The various initiatives of legislators to familiarize councillors with the NPM discourse seems to be fruitful for achieving the expected strategic and analytical attitude in the council.

Concerning the control variables, the 'debate culture' measured by the ratio of the total number of interpellations during the budget debate in relation to the total number of councillors has a significant effect. This illustrates that the debate traditions and habits in the council are certainly not irrelevant for explaining the use of financial analytical information. Many interpellations and intense discussion in the council enhances the argumentation with financial analytical information. The socio-economic profile and the professionalization level of the municipality have no significant effect.

Conclusion *(to be completed)*

All over Europe municipalities are being reformed in a businesslike manner. One of the crucial elements is the introduction of financial analytical information in the council. Councillors should behave differently as goal-steering policy makers, using the new supplied information. But this is theory. Already in the early days of the NPM movement, scholars cautioned for disappointing results concerning the impact of reforms on political behaviour. But what can we learn from actual political practice during the budget debate? The use of financial analytical information is in general very limited, but politically relevant elements will be used as arguments. This suggests a predominance of political over –rational- NPM thinking. We could conclude that councillors still need to be entirely convinced of the political advantages of this type of information for decision-making. In spite of this, use for professional reasons of financial analytical information

and party leaders' knowledge of applied NPM concepts are significant determinants of the budget debate score. This is certainly very relevant and requires further research. This study also demonstrates how an underexplored method can be a useful instrument to assess politicians' real behaviour. To our knowledge it is the first time that political debate has been used for such content analysis and this article is one of the few quantitative content analysis contributions. We show that the budget debate can provide highly relevant information to the field, reflecting presence of NPM concepts in society, complementing mainstream public administration research with a focus on politicians' real use of financial analytical information for political purposes.

Table 1:**(+) expected positive impact or (-) negative impact on budget debate score)**

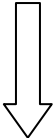
Hypothesis	Variable	Proxy	Operationalization
1. The specific political context in the municipality influences the debate	Fragmentation of majority (+)	Number of parties in coalition (Le Maux et al. 2011). <u>Source</u> : Flemish agency for interior affairs	Number of parties in government
	Strength of majority(+ or -)	Scope of the majority <u>Source</u> : Flemish agency for interior affairs	The difference between the percentage of the seats of the government parties in the council and 50% (Goeminne & Smolders 2010).
	Special commission for financial affairs (+)	Presence of commission or not <u>Source</u> : municipal website, official reports of the councils' discussion concerning the budget 2011	Dummy, commission or not
	Chair of council not executive politician (+)	Chair member of college or not ? <u>Source</u> : Flemish agency for interior affairs	dummy variables, chairman College member or not

<p>2. Individual characteristics of leading councillors determine the debate</p>	<p>Educational background of party leaders in council (+ or -)</p>	<p>Mean education level of council party leaders <u>Source</u>: survey party leaders council</p>	<p>Mean of 'education scores' of party leaders in council (lowest score primary education, highest PhD), measured 7 point likert scale</p>
	<p>Combination of other political mandates by party leaders in council (+)</p>	<p>Number of party leaders with other official political mandates <u>Source</u>: official publication in Belgian Bulletin of Acts, Orders and Decrees</p>	<p>Dummy, at least one party leader has another political mandate</p>
	<p>Political experience of party leaders in council (+ or -)</p>	<p>Number of years in council <u>Source</u>: survey party leaders council</p>	<p>Mean of years in council for council party leaders</p>
	<p>Professional use of financial info (+)</p>	<p>Use of financial information for professional reasons <u>Source</u>: survey party leaders council</p>	<p>Dummy, use or not mean of scores council party leaders</p>
<p>3. Knowledge of applied NPM concepts</p>	<p>NPM knowledge of council party leaders</p>	<p>Score on test of acquaintance with:</p>	<p>Score on 5 point Likert scale for each item,</p>

of leading councillors impacts on the debate	(+)	<ol style="list-style-type: none"> 1. budget controllership 2. municipal management team 3. autonomization 4. management control and policy cycle 5. internal control <p><u>Source</u>: survey party leaders council</p>	mean of party leaders' score on 5 items
Control variables			
Social and economic profile of municipality	Socio-economic cluster of municipality	cluster of each municipality <u>Source</u> : Dexia Bank Belgium 2007	Cluster, dummies
Debate culture	Number of interpellations during entire council meeting where budget is discussed	Count of interpellations <u>Source</u> : official reports of the councils' discussion concerning the budget 2011	Number of all interpellations/number of councillors
	Preceding explanation	detailed explanation at the start of the meeting, by the mayor or alderman for finance <u>Source</u> : official reports of the councils'	Dummy, explanation or not

		discussion concerning the budget 2011	
professionalization	Timely approval	the month of 2010 or 2011 in which the budget is endorsed <u>Source</u> : official reports of the councils' discussion concerning the budget 2011	Dummy (December 2010 is reference).

Table 2: Dependent Variable: *budget debate score*

Dependent Variable: budget debate score 	Proxy : budget debate score composed of 12 different elements Source: official reports of the councils' discussion concerning the budget 2011	Operationalization: sum of frequency of each element/number of councillors
	<i>Reference to as argument in discussion</i> -1.Strategic plan	
	- 2. Balance sheet - 3. P/L statement - 4. Debt rate - 5. % of specific costs - 6. Cash flow	
Strategic financial analytical information		

	- 7. Reserve	
	- 8. Numbers in previous budgets	
	- 9. Mistakes, tangible errors in text	
	- 10. Amendments to the budget proposal	
	-11. Transfers	
	- 12. Request for separate approval of budget articles	

Table 3

Coefficients ^a						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
	(Constant)	,225	,109		2,069	,041
	knowledge_NPM_mean	-,020	,010	-,146	-1,997	,048
1	use_fin_info_mean	,223	,130	,125	1,724	,087
	number of interpellations/number of councilors	,657	,081	,587	8,112	,000

a. Dependent Variable: detail_budget_score_total_councilors

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