

Accountability

4 July 2018

The Dutch House of Representatives requested the Education Council to produce a report on the way in which the government currently funds education in the Netherlands and the mechanisms available to education establishments to account for their spending of these public funds. The request was prompted by discussions about funding amounts and the funding system, as well as about the efficiency and accountability of educational spending. In this report the Council makes recommendations on these four themes.

In the Council's view, the debate about spending on education suffers from both an incomplete understanding of how the funding system works and a lack of clarity regarding how education establishments spend public money. The Council accordingly highlights a need for greater clarity regarding the income and expenditure of education establishments. This could be achieved in two ways: by simplifying the funding system and by asking education establishments to be more transparent in accounting for the way they spend public funds.

As regards the funding system, the Council recommends the continued use of lump-sum funding and urges caution in using forms of targeted funding such as supplementary funding, special funding and subsidies. This offers the best means of guaranteeing that two key basic principles of educational funding are met: the autonomy of education establishments and the necessary stability of funding to enable policy to be developed for the longer term.

The Council believes that targeted funding is only appropriate when a specific stimulus needs to be given for renewal and innovation. Moreover, targeted funding only works if there is clarity in advance about the targets to be achieved and about the mechanisms for accounting for money spent and results achieved. The best way to promote and safeguard educational quality is through legislation, accountability mechanisms and supervision.

The debate on the adequacy of educational funding is hampered by the wide disparity in funding systems and spending patterns between the different educational sectors. Even within sectors there are substantial differences between individual institutions as regards both income sources and expenditure. There is also a lack of clarity regarding the standards used to measure adequacy of funding. The government funds education in order to comply with statutory quality standards. However, society's expectations go further than these minimum standards. The Council recommends an evaluation of whether the present funding is adequate given the quality that education establishments are expected to deliver with that funding.

Due to the lump-sum funding system, and the weak link between expenditure and targets at individual institution level, there is a lack of clarity concerning the efficiency of educational spending. This could be improved by linking spending by education establishments to their policy objectives and making these choices transparent for stakeholders and regulators. Benchmarks and standardisation could also help education establishments in making policy choices. Benchmarks can provide an insight into expenditure at sector and system level in relation to outputs and educational quality. The Council suggests the setting up of a national

'knowledge institute' where all this information can be brought together in one place and collated.

Finally, accountability and supervision are important means of identifying shortcomings in lump-sum funding at an early stage, without deviating from the basic principle of relative autonomy. Precisely in those cases where lump-sum funding gives education establishments discretion to decide how they spend the money, accountability for that expenditure is a necessary condition. The Council believes this is more a question of optimising the functioning of existing mechanisms and incentives than of imposing stricter or more extensive accountability requirements or stepping up supervision. In the Council's view, it is key that the bodies created for this purpose, such as Supervisory Councils, properly fulfil their role as supervisory bodies or critical discussion partners.

The Council recognises the importance both of horizontal accountability and internal supervision and of vertical accountability to and external supervision by government agencies. Both strands serve the same purpose and the same public interests. They are moreover interrelated: the stronger and more effective one strand is, the easier it is to adapt the other strand, and vice versa. To better equip the internal supervisors and participation bodies to fulfil their role in the horizontal accountability mechanism, the Council suggests that, by analogy with local courts of audit, an independent body be created to which they can apply if they wish to commission research into their institution's financial policy and management. The Council recommends that the Inspectorate of Education oversee the process of horizontal accountability and internal supervision; this would require updating of the inspection framework.

Vertical accountability and external supervision remain necessary, however. The House of Representatives can leave responsibility for external vertical supervision with the bodies created for this purpose, such as the Inspectorate of Education and the Accreditation Organisation of the Netherlands and Flanders (NVAO). However, the government could evaluate these bodies and ensure that they are better equipped and better supported.