



Extract from the report to the
Public Accounts Committee on
the rate adjustment pool
(Satspuljen)

June
2015

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1. Introduction and conclusion

1.1. Purpose and conclusion

1. The report concerns the administration of the so-called *rate adjustment pool* (public pool of funds earmarked for the most disadvantaged groups of citizens in the Danish society) and in particular the transparency of the use of funds deriving from the pool. The rate adjustment pool is of significant political and economic importance, since a broad range of social, health and employment initiatives, affecting many citizens, public institutions and private organisations, are funded through the pool.

Several programmes and project grants are funded through the rate adjustment pool. In 2014, the financial framework of the pool was approximately DKK 12.8 billion. Growth in the annual wage rate by two per cent or more automatically triggers adjustments of the welfare payments and transfer of additional funds to the pool. In accordance with the objective defined for the pool, additional funds are used to improve conditions for citizens on welfare and disadvantaged groups in society. A large proportion of the funds in the pool are earmarked for permanent programmes, but every year the political parties behind the pool discuss the launch of new initiatives that will be financed through the funds that are not pre-allocated to specific programmes. In connection with the rate adjustment pool agreement for 2015, the political parties negotiated the implementation of DKK 834.5 million.

Since the pool was established in 1993, the administration of the many programmes and project grants that are funded through the pool has developed into a comprehensive task for the ministries as well as the many recipients of funds from the pool. The Ministry of Finance has overall responsibility for the administration of the pool and is, among other things, responsible for calculating the annual amount of funding that is allocated in accordance with the outcome of the negotiations among the political parties. Ten other ministries are implementing the pool funds and are responsible for following up on the grants provided within their respective sectors. Most of the programmes and project grants concern and are administered by the Ministry of Children, Gender Equality, Integration and Social Affairs, the Ministry of Employment and the Ministry of Health and Prevention. The three ministries administered a total of 5,661 projects in 2014.

2. Rigsrevisionen initiated the study in October 2014. The relevance of examining the administration of the pool, including the transparency of the administration concerning the many programmes funded through the pool funds, is grounded in the economic and political importance of the rate adjustment pool.

3. The purpose of the study is to assess whether the administration of the rate adjustment pool by the Ministry of Children, Gender Equality, Integration and Social Affairs, the Ministry of Employment, the Ministry of Health and Prevention, and the Ministry of Finance, is adequate and transparent. The report answers the following questions:

The total financial framework of the rate adjustment pool is the sum of funds added to the pool in the fiscal year. The size of the pool grows when new funds are added.

Programmes and project grants

Every year, the parties behind the rate adjustment pool allocate funds to various programmes, i.e. new health initiatives or initiatives relating to the handicapped. Project and operating grants are appropriated under the respective programmes. In connection with the implementation of the pool in 2015, it was, for instance, agreed to establish a pool of DKK 12 million for families with terminally ill children. Institutions wishing to offer relief care to such families can seek funding from the pool. Individual grants provided on the basis of applications for funding through this pool are referred to as project and operating grants in this report.

With the exception of the Unity Party, all the parties represented in the Danish parliament participate in the annual negotiations on the implementation of the rate adjustment pool. The political parties decide how the funds should be used, whereas the parliament approve the appropriations in connection with the passing of the Finance Bill.

- Is the Ministry of Finance administering the rate adjustment pool in a satisfactory manner and providing a valid basis for the annual calculation of the amount of funds in the pool?
- Do the Ministry of Children, Gender Equality, Integration and Social Affairs, the Ministry of Employment and the Ministry of Health and Prevention follow up on the use of the pool funds?

CONCLUSION

It is Rigsrevisionen's assessment that neither the Ministry of Finance, which has overall responsibility for the administration of the rate adjustment pool, nor the Ministry of Children, Gender Equality, Integration and Social Affairs, the Ministry of Employment and the Ministry of Health and Prevention, which have responsibility for the implementation of the pool funds, are administering the pool funds in an entirely satisfactory manner.

The many manual processes involved in the Ministry of Finance's administration of the pool affect the validity of the data that provide the basis for the annual calculation of the amount of funds in the pool, and increase the risk of error. In the spring 2014, the government established a task force to review the current process of validation and guidance concerning the administration of the pool. The task force is also considering whether the systems supporting the rate adjustment pool scheme can be improved and whether the scheme as such requires adjustments.

Rigsrevisionen's study shows that the list of projects elaborated by the Ministry of Finance provides the only available complete and updated summary of how the pool funds are spent. The ministries consult the summary for data validation, but it is also intended to provide information to the public on the use of pool funds. The summary is presented in a way that makes it difficult to get an overall view of the projects, nor does it significantly enhance the transparency of the programmes funded through the rate adjustment pool. Based on data provided in the project summary, the Ministry of Finance has informed Rigsrevisionen that the rate adjustment pool included 589 programmes in 2014.

The study also shows that the type of grant provided determines the nature of the follow-up on the use of funds conducted by the Ministry of Children, Gender Equality, Integration and Social Affairs, the Ministry of Employment and the Ministry of Health and Prevention. Follow-up on activities launched and financed through statutory grants and block grants are generally followed up on an overall level. The ministries cannot monitor the actual use of funds allocated through block grants or statutory grants.

Considering that 74 per cent of the total pool funds are allocated through statutory grants and block grants, it is worth noticing that the ministries do not follow up specifically on this type of grants. It is not possible to monitor the actual use of funds provided through these grants. In so far as the ministries follow up on the use of these funds, they follow up on the actual activities and general developments in the area, on an overall level.

Rigsrevisionen also found that since the establishment of the rate adjustment pool, the ministries have not made any cross-cutting evaluation of the performance of the scheme, including an assessment of the extent to which the programmes implemented under the rate adjustment pool achieve the objective set for the pool, i.e. do they contribute to improving the conditions of citizens on welfare and vulnerable groups in the social, health and employment area. Taking into consideration that the pool is funding a broad range of activities directed at many different target groups, Rigsrevisionen finds it important to ensure follow-up on achievement of the objectives of the rate adjustment pool.

Project summary

The Ministry of Finance works out a summary of registered projects, i.e. programmes and underlying project grants allocated for one or several of the past six years. For instance, the summary that was published in the spring 2015 included all registered projects funded through grants for either one or several years in the period 2014-2019.

The summary also provides information on funding adjustments and reprioritization of programmes.

An example of a programme could be the Prescription heroin programme, which, according to the project summary, received funding of DKK 66.3 million in 2014.