



# Translation of: Advice pertaining to the draft budget for 2025

Original title: Advies bij de ontwerpbegroting 2025

*In case of differences in interpretation between the English translation and the Dutch version of the text, or in legal proceedings or escalation procedures pursuant to applicable regulations, the original Dutch version shall always be leading.*

Dear Mr. Johnson,

On August 16<sup>th</sup>, 2024, the Board of financial supervision of Bonaire, Sint Eustatius and Saba (Cft) received your Executive Council's draft budget (OB) for 2025, along with the request to issue an advice thereon pursuant to Article 17 paragraph 3 of the Act on Finances of the Public Entities Bonaire, Sint Eustatius and Saba (*Wet financiën openbare lichamen Bonaire, Sint Eustatius en Saba* – FinBES Act). With this letter, you receive the aforementioned advice.<sup>1</sup> In Annex 1 to this letter you will find a further clarification and substantiating figures.

## **Conclusion**

The OB shows a multiannual balance over the period 2025-2028. Therefore, Saba meets the central balance norm set out in the FinBES Act. The multiannual budget lacks an overview of the income and expenses based on economic categories. The multiannual course of the income and expenses associated with the special benefits are also not clarified. This limits the insight into the financial position of the Public Entity as well as the multiannual development of the income and expenses, and therefore the budget does not meet the verifiability criterion.<sup>2</sup>

## **Explanatory statement**

### *Budgetary result and free allowance*

Saba presents a balanced budget for the 2025-2028 period. In the budget, Saba states that due to the (structural) increase of the free allowance, the pressure on the budget has been relieved. A study of IdeeVersa showed that the tasks and means from the free allowance were not balanced, due to which the islands Bonaire, Saba and Sint Eustatius were not given the opportunity to structurally perform their tasks adequately.<sup>3</sup> In light of this study, the free allowance has been structurally increased for all three islands. Saba employs these additional resources among others to finance the structural personnel expenses, which before were covered by incidental resources. From the standpoint that structural expenses should be covered by structural income, the Cft considers this to be a positive development.

### *Personnel expenses*

The budget does not include a multiannual estimate of the personnel expenses, the largest cost item, whereas the reinforcement of the administrative organization – both by means of creating new jobs and by ensuring structural financing of personnel expenses – is an important priority to Saba. The Cft request Saba to draw up a multiannual estimate of the personnel expenses, and to clarify which are the principles that are applied in that context.

### *Special benefits*

As was the case in the OB 2024, also this year, Saba includes the special benefits in the budget. Therefore, the budget provides better insight into the total expected income and expenses for 2025 and the following years. However, Saba does not present a separate overview of the special benefits in the budget, leaving it unclear which are the specific special benefits that have been included in the budget, and in which years the projects will lead to expenditure.

### *Limited insight*

The insight into the financial position of the Public Entity is further limited by the fact that no overview of the income and expenses based on economic categories is provided. The expected income and expenses have been structured in the OB according to functionality, as prescribed in the Decree on Budget and Justification Public Entities BES (*Besluit begroting en verantwoording openbare lichamen* BES – BBV BES). For some time now, the Cft has been requesting Saba to also include a structure based on economic categories in the budget, in order to better assess to which extent mainly the expenses are realistic.

### **Subsequent steps**

The Cft recommends you implement the following amendments to the OB before submitting it to the Island Council:<sup>4</sup>

- Draw up a multiannual estimate of the personnel expenses and include this in the budget. Also include a clarification of the principles that were applied.
- Include an overview of the special benefits in the budget and provide a clarification of the multiannual course of these benefits.
- Incorporate an overview of the income and expenses based on economic categories in the budget.

For some time now, the Cft has been drawing attention to the incorporation of the special benefits in the budget, and it has also insisted on including an overview based on economic categories. The Cft does understand the technical challenges the Public Entity faces, and would be happy to engage in conversation with Saba regarding the manner in which more insight may be provided into the financial standing of the Public Entity.

In accordance with Article 17 paragraph 4 of the FinBES Act, the OB that you submit to the Island Council by September 1<sup>st</sup>, 2024 at the latest, must be accompanied by this advice and an explanation to which extent and in which manner this advice was taken into account. When submitting the adopted budget to the Minister of the Interior and Kingdom Relations (BZK), the Cft shall verify to which extent its recommendations have been incorporated.

Trusting to have provided you with sufficient information.

Sincerely,

The Chair of the Board of financial supervision of Bonaire, Sint Eustatius and Saba

[signature]

Ms. L.M.C. Ongerling, MA

A copy of this letter was sent to:

The Head of Finance of the Public Entity Saba

## **Annex 2: Endnotes**

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<sup>1</sup> The FinBES Act, supplemented by the criteria set out in the Decree on Budget and Justification Public Entities (BBV BES), forms the framework for the assessment of the OB.

<sup>2</sup> Article 19 paragraph 2 sub b of the FinBES Act.

<sup>3</sup> Ministry of the Interior and Kingdom Relations, meeting year 2023-2024, 36 550 IV no. 3, Spring Memorandum 2024 and investigation into island tasks and resources, dated April 18<sup>th</sup>, 2024.

<sup>4</sup> Article 17 paragraph 4 of the FinBES Act.