

A photograph of a modern office interior with glass walls and a walkway. Three business professionals in suits are walking away from the camera. The text 'Public Sector Challenge' is overlaid in large white letters on the left side of the image.

Public Sector Challenge

Doing more with less: **a cost-efficient personnel plan using workload management and change management**

Also at a government level, there is increasing emphasis on thorough **personnel planning**. Governments will be faced in the next few years both with budget cuts (the number of federal civil servants will be cut to less than 70,000 people) and a modified personnel policy

for restructuring operations (transfer of civil servants to the Communities and Regions in the context of the Sixth State Reform). At the same time, the call for more, better and faster service provision is becoming ever louder.



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This raises many questions: do we still have sufficient personnel? Is the rise in the pressure of work normal, and where does it come from? How can we work more efficiently? Where can we find savings?

Measurement of workload can provide insight and offer a solution in two ways :

1. Identification of staffing needs: a workload measurement contributes to clear insight about how many people are necessary for a particular organisational mission (for example the number of full-time equivalents who are necessary for one year) and which competencies are required for which functions. In other words, a way to put the right person in the right position.
2. Improvement of work processes and working methods: a workload measurement helps to map out the (in)efficiency of certain working methods, and in this way, identify the “time-gobblers”. Then, improvement actions can be proposed to enhance the productivity and overall functioning of the organisation.

- staff members perceive the workload measurement as an inspection and evaluation of their individual performance. This often results in questions about the objectives, what will be done with the results of this kind of exercise and what the potential consequences could be for them;
- staff members are afraid of the change that could be triggered by the workload measurement, such as a modified range of tasks or being requested to perform a different job;
- staff members fear that the exercise of “workload measurement” will temporarily cause extra work in addition to their daily tasks, such as time for recording their time expenditures, and discussing it.

In order to prevent this resistance and fear, and increase the prospects of success of such a workload measurement, KPMG advises establishing a proactive and clear **change management** strategy. This could, amongst others, involve the following elements:

- detailing the reason for, and the objective of the workload measurement;
- increasing the acceptance and commitment by creating support and coaching staff so that they see the potential benefits;
- organising a clear communication before, during and after the workload measurement;
- following up the actions to be taken in the context of the workload measurement so that changes can be embedded and people do not slip back into old habits.

Methodology

There are various methods for measuring workload: through time registrations, time estimates or through benchmark data. The subject of the measurement can also be different: from a complete range of tasks for an individual member of staff or department to just a specific component which is linked to a particular field. The precise approach and the subject of the workload measurement will therefore always vary depending on the ultimate objective.

Resistance

Carrying out a workload measurement is not always self-evident. Often, there is substantial resistance from staff, which is motivated by the following fears:

Good change management can reduce the overall resistance and prepare staff for change. Combined with clear guidelines, sound coaching, clear objectives, and a structured approach, it offers a firm foundation for successful workload measurement. ■



There are various methods for measuring workload.





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Fiscal challenges for local authorities

The federal government wishes to achieve fair fiscal competition between private and public sector players who are operating in the same external market. Public sector actors like intermunicipal organizations will no longer automatically be subject to the regime of tax on legal entities. However, subjecting intermunicipal organizations to the corporate tax regime could have adverse financial consequences for local authorities: they fear a fall in their dividend payments. Furthermore, new guidelines are expected from the VAT administration about the VAT status of public sector bodies. That could be an additional blow to the finances of local authorities.

The VAT status of public sector bodies has been subject for a number of years to a thorough examination by the VAT administration. This was prompted when, in July 2008, the Constitutional Court abolished part of Article 6 of the VAT Code dealing with the VAT status of public sector bodies, as well as by a number of judgements of the European Court of Justice.

That thorough examination seems to be coming to an end, and in the near future, new guidelines will probably be published by the VAT administration. These anticipated guidelines are leading to great concern among local authorities. They fear a negative impact on their financial position due to the extra costs that will result from their revised VAT status.

VAT status of public sector bodies

Public sector bodies which only perform activities in their capacity of “public authority” are generally treated as non-VAT taxable persons (Article 6, first paragraph of the VAT Code). In principle, they do not need to charge VAT on their activities, even if they collect duties, levies, contributions or fees for their activities.

An important condition to qualify as a non-VAT taxable person is that they should not enter into competition with other players in the market, otherwise they do need to be treated as liable to VAT.

The third paragraph of Article 6 of the VAT Code contains a list of activities for which public sector bodies, are in any case



The corporate tax regime could have adverse financial consequences for local authorities.

considered VAT taxable persons, unless those activities would only be performed on a minor scale. This list includes the supply of water, gas, electricity and steam, telecommunication services, transport of goods and persons, etc.

VAT exempt activities

With regard to the activities falling in the scope of the VAT exemptions of Article 44 of the VAT Code, the VAT administration has always had the opinion that these should be considered activities that lead to distortion of competition. This concerns, for example, education services, services that are closely related to social work and social security, exploitation of sports facilities, museums, libraries, etc. In the past, this principle was directly included in the first paragraph of Article 6 of the VAT Code, but that provision was abolished by the Constitutional Court with effect from 1 January 2009.

Since then, it has been unclear whether a public sector body, performing VAT exempt activities, should be considered a VAT taxable person (but benefiting of a VAT exemption) or a non-VAT taxable person.

A first consequence of qualifying as a VAT taxable person is that the public sector body has to account for VAT on immovable property works (except for maintenance, repair and cleaning works based on the draft circular) performed with its own personnel and destined to be used in the framework of its own VAT activities (Article 19, §2, 1° of the VAT Code). If, for example, a local authority builds a new classroom, the local authority would be obliged to

account for VAT on the normal value of this work (purchase of materials and personnel costs). This is not the case for activities performed as a “public authority,” which fall outside the scope of VAT of course, this leads to an increase in the VAT cost for local authorities, since input VAT related to VAT exempt activities is not deductible.

A second consequence of qualifying as a VAT taxable person is that services bought from foreign service providers are taxable for VAT in Belgium. The public sector body would have to account for Belgian VAT itself on the purchase of such services, eventually by submitting a special VAT return. If the VAT rate in Belgium is higher than the VAT rate applicable in the Member State of the service provider, this again will lead to a higher VAT cost for the local authority.

Besides a potential increase in the VAT cost, VAT registered persons have to comply with a number of VAT obligations: submission of (special) VAT returns, payment of VAT to the treasury if net VAT is due, keeping of a (limited) VAT accounting, etc. This implies modifications to the accounting system, which of course entails additional costs.

New administrative guidelines

Although the VAT administration has always had the opinion that VAT exempt activities should be considered activities leading to distortion of competition, in practice, this VAT rule has not been applied strictly. The publication of the new administrative guidelines in which the VAT administration expressly confirms its position, could lead to a less tolerant attitude being adopted. ■