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CONTROLLING, CAJOLING OR CO-OPERATING?

CENTRAL GOVERNMENTS' POLICY APPROACHES
TOWARDS LOCAL GOVERNMENT ON THE ISSUES
OF PERFORMANCE AND COST-EFFECTIVENESS

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Central governments' policy approaches towards local government
on the issues of performance and cost-effectiveness

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Foreword

The CEMR's triennial General Assembly in May 2006 will discuss the topic of the future of public services in Europe. The plenary sessions and workshops will explore issues such as improving and evaluating the quality of services; the problems of financing services; and the different ways of delivering services. The tension between local and regional self-government on the one hand, and the controls exercised by central governments on the other, will be an underlying issue.

To aid these discussions, CEMR wished to provide an input paper to the Assembly on the question of how far central government supervises, inspects and controls local and regional authorities in relation to issues such as cost-effectiveness and improving quality and performance. It accordingly approached the Institute of Local Government Studies at Birmingham University to conduct this research study.

*I undertook this work during the last quarter of 2005. There is a wide and diverse literature on these topics. I have drawn on a number of the books, articles and essays in the field. A wide range of material on this and related topics is to be found in the quarterly journal *Local Government Studies*, which looks at comparative local government experience from around the globe. An excellent recent book analysing local government experience from across the world is *Comparing Local Governance: Trends and Developments (2005)* edited by Bas Denters and Lawrence E. Rose. Readers keen to explore these issues further will find a wealth of material and further references here.*

In discussion with CEMR Secretary General Jeremy Smith we agreed the sample of six European countries to investigate, and a set of common questions was sent to their respective national associations. I would like to thank Stefan Ackerby, Mike Ashley, Christophe Chaillou, Birgit Frischmuth, Frank Hilterman and Vana Lukas and their colleagues for their helpful responses. In addition, I had invaluable discussions with Peter Heine, Carolina Romahn, Felix Semmelroth, Martine Buron, Bjorn Jakobson, Helen Slattman, Oonagh Aitken and Sarah Wood whose insights helped enormously to inform the study. Professor John Stewart carefully read an early draft and provided invaluable observations, while Jeremy Smith provided sound counsel and helpful advice throughout. Obviously, responsibility for the content and conclusions remains mine but, together, they have helped to the preparation of this report which, I believe, will help to inform the CEMR Assembly and the on-going work of local and regional authorities on these issues.

Dr Jon Bloomfield

1

Setting

the scene

1. HISTORY

Local and regional government have deep roots across Europe. Their evolution has been closely entwined with the movements for democratic reform, the right to vote and popular sovereignty. In a number of countries, the rights of local authorities are enshrined in constitutional provisions granted following the revolutions that swept Europe in 1848. During the 20th century the roles and tasks of local and regional authorities grew significantly in many parts of Europe, associated with the expansion of the welfare state and the provision of additional public services.

In a tumultuous era, many countries experienced periods of authoritarian, centralised rule. However, when these periods came to an end, one element of the development of democracy has always been the creation of local democratic structures. This was the case with the German Constitution in 1949; in Spain and Portugal after the collapse of the fascist dictatorships; and throughout Eastern Europe after the fall of their Stalinist regimes in 1989.

Thus, at the start of the 21st century local government is well-established all over Europe and in the majority of countries there is also an elected regional element of government. In federal states such as Germany, Austria, Switzerland and Belgium this regional sphere has greater constitutional and hence political weight than in other states which operate a more unitary model.

It is a fair generalisation to say that local and regional government have always been evolving. Throughout this history there has been one common element: their shifting relations with central power. That tussle is a common thread. Traditionally, this is a dispute over how the 'higher' power seeks to structure its relations and impose its wishes on its subordinate, 'lower' body. (In federal states, this 'higher' role has often been assumed by the regional government.) For local government it is a matter of asserting its capacity and in many countries its constitutional rights to autonomous self-administration.

2. THE CHANGING CONTEXT

The context within which this tussle is evolving has changed enormously over the last three decades. Profound socio-economic changes alongside major political shifts have had and continue to have a major impact on central-local government relations.

Firstly, consider the socio-economic shifts. The conditions under which local and regional authorities operate in Europe have altered greatly. The most significant changes have been associated with the impact of the computer and scientific revolution. The widespread and cheap availability of networked computer systems changes the whole conduct of local government: the ways it can deliver many services; the methods by which it relates to both service users and citizens more generally; and the control mechanisms which it employs and which central government can also use to control it.

For example, widespread computerisation makes wholesale decentralisation of services possible; it enables a devolution of financial responsibility to much smaller units, while still ensuring that central control systems remain in place. Furthermore, it permits the relatively easy collection, swift transmission and analysis of vast amounts of cost and performance data. Whereas information society technologies have been the motor of globalisation in the world of manufacture and commerce, they are having an equally profound impact on the operation of public services and the nature of their command and control systems.

Alongside this major economic change has been a geographic one with the continued shift in population away from the land. This has led to a rise in the overall population levels in urban areas, broadly defined. In some countries, notably the UK, the population of the large cities has actually fallen, but the last three decades has seen the continued rise of the suburbs, the 'periurbain' and a marked loss of population in rural areas. This phenomenon is now apparent across much of central and eastern Europe too and would appear to be irreversible. It inevitably influences the structures of local government and the weight of cities and metropolitan regions within them, while the increased migratory flows of the last three decades have also been concentrated in larger urban areas.

This period has also been marked by a growing process of European integration. Over these three decades the European Union (EU) has grown from the initial six members through accessions in 1973, 1981, 1986, 1995 and 2004 to its present twenty-five members with Romania and Bulgaria due to follow in 2007. This has been accompanied by the pronounced integration of Europe's economies through the development of the Single Market across the whole Union and on a more limited basis through the adoption of the single currency, while regional and structural fund policies have been put in place to help promote the swifter economic development of weaker regions within the Union. The EU has developed its institutional machinery – stronger Parliament, creation of the Committee of the Regions – and its legislative remit has grown in respect of economic and social matters, as well as addressing some of the new policy challenges such as the environment and migration. Thus, Europeanisation is a new element in both the socio-economic and political arena. Over the last three decades the EU has come to impact in an increasing number of ways on the conduct and operation of local and regional authorities. EU institutions represent a new element in the combination of central/local government relations.

These underlying socio-economic changes link to the changing political context. The post-1945 settlement represented the high point of both the welfare state and the social market economy. This began to fray in the 1970s with the OPEC oil crisis, the undermining of Keynesian economic thinking and the rise of monetarism. This shift occurred at different times in different countries and with varying intensity. It occurred earliest and sharpest in the UK. It affected many countries during the 1980s. For Sweden and Finland it came in the early 1990s with the need to prepare for entry to the EU and with the collapse of the Soviet Union. For central and eastern Europe it came post-1989 with the realities of engaging with a commercial economy. And for many countries in the euro-zone it has continued as they are obliged to meet the monetarist obligations and budgetary strictures of the Growth and Stability Pact. This changing context has put a new emphasis everywhere on the need for the strict control of government finances. Inevitably, local and regional authorities have been at the vortex of this change. Their capacity to discharge their multiple responsibilities for public services has been deeply affected. Austerity and restrictions on expenditure have reflected the tenor of the era rather than the growth and expansion more evident in the post-war decades.

Yet this era has also brought new policy challenges to the fore. To give just two examples. Humanity's relationship to nature has assumed a new prominence. The environment just simply was not a policy issue three decades ago. It certainly is now. Secondly, the accelerated movement of labour associated with globalisation has thrust the issues of migration and integration into the policy arena. Today, there is barely a city in the old EU 15 that does not have a significant number of its population who were born abroad and this trend is likely to grow.

This period is also seeing changes in the nature of political representation. The traditional forms of representative democracy are under pressure. Across most of the EU there is evidence of falling electoral turn-outs, lower membership figures for political parties and a disillusionment with the political process. There are some limited signs of alternative forms of political engagement with involvement in single-issue campaigns and some more direct forms of democracy. Experiments in aspects of e-government are occurring in a number of places.

It is against this backdrop and above all the imperatives of financial stringency that governments throughout the industrialised world have sought to change their public administrations, often under the rubric of reform and

modernisation. The generic term that has been given to this process is New Public Management and the Americans Osborne and Gaebler, who wrote *Reinventing Government* (1993) are the authors seen as its gurus. Their recipe for entrepreneurial government contained several ingredients. These included: a strong emphasis on leadership and the importance of management; the role of market mechanisms, a customer focus and competition; the need to focus on results and outcomes rather than inputs and processes; and finally the benefits of decentralisation, shifting power to citizens and away from the traditional bureaucracies. This latter emphasis was also a feature of other critics of traditional local government.

3. CENTRAL-LOCAL GOVERNMENT RELATIONS

The tenets of new public management have spread widely. The concept has been open to very different interpretations and applications. Although its influence has been most extensive in the Anglo-Saxon world, the generic impact of this thinking has spread far and wide. The combination of factors outlined within Paragraph 2 has meant that local, regional and central government politicians, along with professional civil servants and local government officers, have all been receptive to new ways of thinking about the role and purpose of government.

Two consequences have been a renewed focus on costs and a new emphasis on outcomes and performance. The issues of financing public services and improving and evaluating their quality are questions that have featured not just in the national political discourse but also in relation to the relative roles and tasks of local and regional government. Again, the timing and intensity of this interest has varied from country to country but these are matters which resonate around Europe.

It is the intention of this short study to explore this issue within 6 EU member states, namely the Germany, France, the United Kingdom (UK), Netherlands, the Czech Republic and Sweden. The report is designed to explore the question of how far in these different European states central government - including regional state governments in the Federal Republic of Germany - supervises, inspects and controls local and regional authorities in relation to the issues of cost-effectiveness and improving the quality of services. Within the differing constitutional contexts central governments have a number of instruments at their disposal, namely the control of income and expenditure; the ability to set laws, regulations and prescriptions alongside the use of inspections; and the 'softer' control of access into policy arenas and decision-making processes. Broadly, there are three types of approach they can adopt: to control or even coerce; to

cajole and encourage; or to collaborate and co-operate through listening and learning. They have a choice of the 3Cs.

This introductory chapter provides a summary of the changing context within which local and regional authorities are operating. There then follow six chapters, ordered in rank of a country's size of population. Each chapter seeks to address a series of common questions within the differing national contexts, namely:

- Is there a formal legal system of supervision or inspection of local governments which examines their performance in terms of quality or cost-effectiveness?
- If so, does it cover all types of local government and what are its main aspects?
- Who decides on the appointment of external auditors for the local government? Is the audit limited to issues of correct accounting and financial/legal correctness or does it cover any wider issue of value for money, etc?
- Whether or not there is a formal legal system of supervision, are there other legal/financial levers used by central government to require or persuade local governments to improve their performance?
- Are there any institutional forms of assistance or support (especially national ones) to local governments to help them improve performance and which are generally supported by central and/or local government? If so, is it a wholly voluntary decision for a local government whether to use this assistance?
- Are there any proposals, especially from central governments to introduce new legal controls or incentives in relation to improving the performance or cost-effectiveness of local governments?
- Is there evidence that any relevant system of supervision, inspection or performance measurement has led to improvement in services or enhanced cost-effectiveness?

Each national association has responded to these questions. At the same times face-face and phone interviews have been conducted with a number of informed specialists and practitioners, while this work has been supplemented by extensive reading of relevant secondary material. This has permitted a series of short country profiles to be drafted.

The report is then drawn together with a final chapter which seeks to draw out the main findings and conclusions of the study. It will consider what common trends are evident and begin to explore how local and regional authorities across Europe should seek not only to respond to them but also how possibly they may seek to shape them in the future.

2

Germany

THE INSTITUTIONAL FRAMEWORK

Germany is the only federal state in this study and it has a distinctive, regulated set of relations between the different spheres of government. Its post-war Constitution of 1949, building on earlier 19th century traditions, embeds local government firmly within the country's political fabric. The position of local authorities in Germany stems from the particular structure of the Federal Republic which is governed by the principle of subsidiarity. There are three levels of government: the federation, sixteen federal states (Länder) and local authorities (14,808 municipalities and 322 Kreise).

The federal Constitution governs only relations between the Federal Republic and the Länder, whereas the constitutions of the Länder deal with relations between the Land and the local authorities and their relations with one another. Accordingly, each Land has its own legislation on the functioning of local authorities, including their funding. This legislation consists of the "Gemeindeordnung" (municipal statutes) in the case of municipalities and the "Kreisordnung" in the case of Kreise, which encompass several municipalities and form a separate local authority more akin to a county.

The municipalities are divided into urban and rural municipalities. The villages and small towns are grouped together in larger, secondary-level local authorities, namely the Kreise, to which those larger responsibilities that cannot reasonably be performed by small municipalities, particularly in the field of education, health and infrastructure are transferred. Relations between the municipalities and the Kreise are essentially complementary. Major towns also perform the functions of the Kreise under the leadership of the mayor and the municipal council.

Germany's Basic Law guarantees local self-government not just for towns and villages, but also for the Kreise (Article. 28). The Kreis has its own administration. In most Länder, the Kreis government performs the central functions of the Land and is thus both a local authority and the administrative authority immediately below the Land, thereby fulfilling a dual role similar to that performed by the prefectures in France. In all the Länder, the government delegates some of its powers and responsibilities to the local authorities, which must discharge them according to its instructions, particularly as regards town planning controls, application of the law on foreign nationals, etc.

The local responsibilities of the Kreis are divided into mandatory and optional responsibilities. Examples of the former include welfare support and assistance for young people, where local authorities are responsible for implementing the federal laws. The optional responsibilities, on the other hand, relate to issues such as culture, theatres, etc. In other major areas such as health, transport, and the environment, the division of powers and responsibilities is governed by each Land's own specific legislation. The precise division of responsibilities depends on the legislation in force in the Land, the size of the municipalities, and certain specific conditions.

The power of the Länder to organise and structure their local authorities is limited, however, by the federal Constitution. Article 28 guarantees both the municipalities and the Kreise the right of self-government. The Constitution lists the different taxes and indicates how tax revenue is to be apportioned between the Federation, the Länder and local authorities. This provision thus represents a constitutional guarantee of municipalities' fiscal independence, and requires the Länder to accept this basic system of self-government and local finance.

Thus, the Constitution both enshrines the wide scope of local self-government and delegates a range of tasks to it. Furthermore, the tight restriction on federal government, forbidding it from establishing regional or local field offices of its own, means that the large majority of federal and Länder legislation is carried out by local authorities.

This Constitutional settlement is based on the principle of subsidiarity with a clear separation of powers for each separate sphere or level of tasks. In addition, so long as the federal government or the Länder do not expressly assume responsibility for a matter then it remains within the municipal sphere. However, unlike in Sweden, there is not a comparable delegation of revenue-raising powers. One of the stated aims of the federal Constitution is to narrow the gap in living standards across the Federation as a whole. To facilitate this, the Constitution focuses on a system of equalisation. Thus a system of shared taxes has emerged which now accounts for more than two-thirds of total tax revenue. The revenue from shared taxes is allocated as provided for in Article 107 of the Constitution. The local authorities' share is fixed by federal law at 15%, while approaching one-third of the total revenues of local authorities comes from their own taxes.

The total share of a Land's revenue allocated to local authorities varies from one Land to another. A great deal depends on the extent to which the Land's activities are devolved to local authorities (Kommunalisierung) in the form of delegated powers. This Kommunalisierung depends in turn on the size of the local authorities. All the Länder show an increasing tendency to delegate state functions to local authorities, notably in areas such as water supply, sewage treatment, health care and passenger transport. Thus, once again, the federal nature of the Republic and the distinctive role given to each Land means that there are elements of diversity within the overall relationship.

BUDGETING AND AUDITING

The Länder exercise supervisory control over the local authorities. Authority resides within the Ministry of the Interior for the respective Land. These generally exercise advisory powers, for example having to ascertain whether a proposed municipal action is in accordance with the law. However, the Länder have stronger powers where the function in question is shared between municipalities and the Land. Yet generally, the interventionist powers of the Länder have been tightly circumscribed by the subsidiarity provisions of the Constitution which oblige the Länder to be as helpful as possible towards local government, to encourage them to rectify any shortcomings themselves and in no circumstances to take over the decisions and the responsibility of the municipalities.

Local self-government logically embodies the right of municipalities to be responsible for their own budgets and accounts. However, the Länder exercise significant potential influence here. They set the framework for the municipal budgets and their ground rules include the requirement of a balanced budget. The Ministry receives notification of municipal budgets for approval and can propose changes. If the disagreement is not settled, the Ministry can appoint a Commissioner over the head of the Mayor to resolve the dispute. But again, these powers are circumscribed both by the subsidiarity concept and political realities. In a large authority such as Frankfurt, the capacity of the Land to intervene to this extent is severely limited. As Felix Semmelroth, the Head of the Mayor's Office puts it "This doesn't happen normally. In fact, I can never recall it happening anywhere in Hessen."

Each Land sets a framework for local government's auditing of its accounts. Each authority has to have a municipal audit board composed of three to seven members and in an effort to avoid an over-concentration of power, it is the only local body which

cannot be chaired either by the mayor or the mayor's nominee. Larger municipalities, usually with populations over 20,000, are obliged to establish an audit office to provide the professional support required for the audit board to fulfil its tasks.

There are a set of measures designed to ensure the independence and probity of the auditing system, which most Länder have in place. Their role covers the full remit of normal financial procedures but increasingly many are asked to consider the cost-effectiveness of an administration's actions.

There is also provision for supra-municipal auditing to reinforce local auditing. Many municipalities belong to a professional, regional association of accountants and on occasions these are asked to conduct a supra-municipal audit. Yet these bodies hold no direct authority over the municipalities, rather having to advise the supervisory authorities of their investigations. In the largest Land of North Rhine Westphalia a special Community Audit Office has been established, which undertakes both cross-authority audits and comparative studies. On occasion other local authorities use the results of these studies for advisory purposes

STRUCTURAL CHANGES

Major changes have affected the system of local government over the last fifteen years. The first impulse was political with the collapse of the Berlin Wall and the requirement to introduce a new local government system into the former East Germany. The five East German Länder abolished in 1952 were resurrected and municipalities encouraged and supported.

3.2. The focus on institutional reform led to renewed attention to these issues in the remainder of Germany. A consensus on reform was reached across all Länder so that firstly each introduced measures giving local citizens more powers to inaugurate binding local referenda and then they introduced legislation for the direct election of executive mayors in all middle-sized and large cities.

While these measures came from above, the response to financial austerity was driven by the municipalities themselves. Faced with the large responsibilities assigned to multi-functional local government and with stretched financial resources German municipalities followed a similar path to the Dutch. Some services were outsourced; some were part retained but with other elements transferred to the private

sector; a range of public-private partnerships were entered into; some leasing and facility arrangements were signed. These options were pursued across a broad range of areas in response to the more austere financial climate. Furthermore, in the public utilities sector where many German authorities ran municipally-owned corporations the European Commission's drive for increased competition reinforced the pressure on many municipalities to 'cash in' their local assets, thereby reducing a significant element of their traditional, multi-functional role.

The push for a more responsive system of local government required not only institutional reforms and financial measures but also attention to the management culture. Here, in particular amongst the larger cities, local authorities began to explore aspects of New Public Management thinking and apply it to a culture dominated by the Max Weber model of legal, rule-bound, hierarchical administration. A number of municipalities began to shift the focus of local administration from the implementation of rules to the need to respond in a flexible and efficient way to the demands of their citizens. This required a shift from inputs to outputs and saw a growing number of municipalities and counties adopt managerialist instruments such as cost-benefit accounting and introduce new procedures such as performance indicators and monitoring of services. For example, Frankfurt operates a detailed cost-benefit system which also includes some self-evaluation criteria relating to performance. As a result, "there is no doubt that cost-effectiveness has been raised considerably over the last decade" believes Semmelroth.

This shift of attention to the management culture of German local government has become a major topic of discussion within both the German Association of Cities and within the Municipal Association (KGST) which brings together local authorities from across Germany. Established in 1949 and funded by the contributions of municipalities themselves, the KGST with its detailed programme of seminars, conferences and training workshops is equipping German local government to respond to the challenges of improving performance. At its tri-annual conference attended by 2,700 people in Bochum in November 2005 its director, Professor Hans-Joachim Hilbertz outlined the Association's thinking on local government development in a talk entitled 'Future Capable Local Self-Government.' This outlined the Association's attempts to broaden the focus of traditional New Public Management and in the process to transform it into a concept of Public Governance. He further stressed that this needed to be reinforced by a strong ethical dimension to ensure robust, future local self-government.

The role played by the German Association of Cities and the KGST, often working closely together, and by the other national associations, shows how German local government is prepared to take responsibility itself for its own development. This principle of self-administration is a key value of municipal independence. Both the Federal and several Länder governments have supported these trends by initiating special Task Forces, funding municipal pilot projects and tendering competitions for municipalities, all with the aim of encouraging innovative developments promoting efficiency and effectiveness. This all fits into a model of voluntary co-operative development, with some prompting and encouragement from the 'higher' spheres of government.

A CHANGING FUTURE

Yet despite the powerful sense of autonomy and self administration evident throughout German cities and local authorities, major changes are afoot. These will strengthen significantly the capacity of the Länder to intervene within the affairs of local government. The changes to company tax law undertaken in the early years of the Social Democrat\Green coalition had a calamitous effect on the tax revenues of municipalities. This has been subsequently adjusted but it left many cities and municipalities with heavy debts and thrust renewed attention of Länder politicians onto local affairs. The outcome has been a political consensus amongst politicians at Länder level of the need to reform the supervision of the accounting and performance procedures of local government.

As a result new laws are now being passed through all the Länder. These will oblige local authorities to change their methods of bookkeeping and accounting to correspond much more closely to those of private companies. Municipalities will have to present comprehensive budgets which show their pension liabilities, valuation of their assets, their write-offs and the value and liabilities of their holding companies. The intention is to ensure a much more transparent presentation of each municipality's budget removing the possibility to hide bad debts and liabilities in holding companies or outside the main accounts.

This new legal framework for the preparation and reporting of budgets will be accompanied by a requirement on local authorities to operate a system of performance management. The intention is to oblige local authorities to show the outputs of their activities in each area of service. This is described as a 'Produktorientierte Haushalt' – a product oriented budget. The impetus is very much in the New Public Management tradition

and draws on the practices already developed within many of the larger cities. It signals a wish by the Länder to ensure that municipalities shift their focus from inputs to outputs.

The law differs in details between the Länder and its introduction is being phased in over the next few years. It has some significant costs associated with it: all the big cities are getting the private IT company SAP to oversee the introduction of this new accounting and performance system. The new system clearly represents a significant assertion of the authority of the Länder in their relations to local government.

CONCLUSIONS

What remains uncertain is how they will use these new powers. When questioned about this Peter Heine, the Head of Frankfurt's Income and Tax Office responds that "as yet, no one has said who will monitor the new system or how." But the logic and momentum of the new law is clear. Indeed, an indication of the direction comes with Article 132 of the law in Hessen which for the first time permits the Region to conduct cross-authority examination of not just the budget and accounts but also the performance of local authorities. Some suspect that relatively little will change in the short term, although it is clear that the weaker, less financially independent municipalities will become more vulnerable to Länder interference.

Yet the networking initiatives already undertaken by the Deutsche Städtetag and KGST are likely to grow, since effective performance management requires comparator authorities against whom one can benchmark. For Peter Heine this represents no problem. "I say to my colleagues – go to Köln, Stuttgart and München." His colleague Carolina Romahn adds. "We have to go to other cities, because we know that on some things they are better than us. It is best if cities do this themselves" She then adds pointedly "Pride gets better results than law." That outward-looking culture, with a more concerted focus on comparison with similar authorities is likely to increase as the new laws work their way through the system.

3

France

INTRODUCTION

The last quarter of a century has been a period of enormous change for local and regional government within France. Until the election of the Mitterrand government in 1980 France retained the quintessential Napoleonic tradition common across much of Southern Europe, namely a unitary, highly centralised state with the major public tasks carried out by central government ministries located in the regions but accountable to their head offices in Paris.

At the "regional" level the 100 departments had a dual function. On the one hand they were the institutional arm of central government led by the all-powerful prefect, a civil servant appointed by central government. Yet on the other hand they acted as the upper level in France's two-tier local self-government structure, the other tier being the municipalities or 'communes'. The Napoleonic organisational model provided for uniform municipal institutions so communes existed across France. They thus grew up reflecting the village reality of early 19th century rural France, being extensive in number but small in size. The 3rd Republic in 1884 had granted them major municipal freedoms but they had few functional responsibilities, limited resources and hence generated little expertise. However, this system gave significant political influence to the locally elected mayor, especially since this position often acted as a jumping-off point for wider regional and national politics.

Such a structure was increasingly ill-suited to the swiftly changing character of post-Second World War France with its vastly extended range of welfare state functions. A variety of inter-communal bodies were created in order jointly to carry out the specific tasks of individual communes. However, the political influence of local mayors meant that more wide-ranging reform efforts had to await till 1982.

INSTITUTIONAL REFORM

The Decentralisation Acts of the Mitterrand government of 1982 and 1983 profoundly altered the character of French local government. These reforms gave more resources, wider powers and extended legitimacy to all spheres of sub-national government and also involved the establishment of twenty-two newly designated regions. Specific competences were allocated to each level with the departments in their role as the upper-tier of local self government taking on important responsibilities in the social services field and permissive powers allocated to municipalities so they could undertake additional tasks e.g. economic development, if there was the political wish to do so.

The main losers were the local outposts of the central state bureaucracy, in other words the departments' institutional role as the arm of central government. In consequence the

influence of the prefects diminished as they lost their powers of prior administrative control. Whereas under the old system a local authority decision only became enforceable after it had been approved by the prefect, under the 1982 legislation local authorities merely had to inform the prefect of their decisions. The role of the prefects was reduced to checking solely the legality of the proposed action and could not comment or assess its expediency. Thus their executive power was significantly reduced.

The very large number of municipalities remained: 36, 565 in all, of which 27,794 have a population of fewer than 1,000. Indeed, 98% of French councils have less than 10,000 people and only 241 have populations of over 30,000. Yet these changes began to increase the influence and clout of local government. Despite the country's centralist reputation local government's financial autonomy was increasingly significant. In the larger authorities locally raised taxes accounted for 45% of total resources with just 31% coming from state grants, while in the decade and a half after the reform the share of local taxes as a proportion of the country's Gross Domestic Product rose from 3.8% to 4.7%. The municipalities also retained a high discretionary authority to spend.

This growing role of local government is overseen in a relatively general fashion by the National Court of Auditors. They supervise the larger communes every four years, producing a report after discussion with the local authority and then publishing it. This is a formal procedure without legal sanction. The National Court also issues an annual report which examines certain aspects of public governance and central-local government relations. In 2005 it wrote a report on inter-municipal co-operation and the duplication and waste involved in these processes. Yet the Court cannot impose or insist upon changes arising from its observations. It remains without bite.

While the overall role of the prefect has lessened, nevertheless the prefect's office retains some budgetary control of local authorities acting in liaison with the regional audit offices, the regional arm of the National Court of Auditors. The developing powers of local authorities meant that in 1992 central government passed further legislation which allowed a degree of monitoring of local authorities in budgetary and financial difficulties to be handled by the regional audit office. This legislation also allowed the prefect to carry out a preventative audit of an authority. The regional audit office looks regularly at local budgets and is able to make observations and proposals on the way budgets and therefore services are run but again without any substantive sanctions at its disposal.

FURTHER INSTITUTIONAL REFORM

The pace of socio-economic change continued to unsettle the old patterns of sub-national government. In order to address the problems created by the huge number of municipalities various governments passed a range of measures to promote inter-municipal co-operation, often encouraged by central government financial incentives. The main success was with the 'communautés des communes' bringing together medium-sized municipalities which increased from 193 in 1993 to 1,349 in 1999. To address the growing significance of major metropolitan areas, new legislation was introduced in 1996 providing a framework for more integrated cross-authority co-operation in the big city agglomerations such as Lille, Bordeaux and Lyon.

Central government found this increasing administrative diversity uncomfortable. The Chevènement Law of 1999 stipulated that inter-municipal co-operation had to take one of three forms. As a result from 1st January 2002 there were 14 metropolitan regions ('communautés urbaines'), 120 'communautés d'agglomération' and 2,033 'communautés de communes.' Each had a distinct and specific tax base and covered 75% of the French population.

This further stage of reform was partly designed to help French society address some of the cross-cutting issues of the modern era – urban regeneration; the environment; pollution; immigration and integration. Major areas of professional competence now rested within the remit of these inter-communal authorities, notably economic development, planning, social housing and environmental protection. The state had defined the shape of sub-national government, outlined its roles and rules but substantive policy rested with the local actors.

CHANGING PRACTICES IN RELATION TO LOCAL GOVERNMENT

This is not to say that the central government has had no influence here. But its interventions have been shaped by the specific character of French sub-national government. The sometimes blurred and overlapping responsibilities of regions, departments, inter-communal bodies and municipalities have meant that central government has had to find ways to encourage the co-ordination of a multitude of local organisations if it wanted to tackle particular urgent problems. This was especially the case in matters of urban policy, for example seeking social and physical renewal of disadvantaged neighbourhoods. Its answer was to develop a system of

contracts concluded mainly between the state and the municipalities concerned in which the main policy actions and measures were agreed. The absence of single, multi-functional local government organisations meant that in order to address these big cross-cutting issues central government has offered earmarked grants on a conditional basis. In other words, it began to set targets in return for its money and to set out its terms and conditions in contracts with the relevant authorities.

With a growing role in public life local authorities have come under cost pressures. A much greater emphasis on managing finances and controlling costs – ‘contrôle de gestion’ – is evident within local authorities. Yet the pressures for this have been generated internally, namely the wish among local politicians to save money and to keep taxes on an even keel. A number of authorities have hired consultants to look at the cost-effectiveness of particular services and some municipalities have either privatised or outsourced specific areas of service. Until now there have been no central government initiatives on these matters. However, the French parliament has voted on a law presented to it by the government which aims to limit local spending. The ‘bouclier fiscal’ sets a maximum cap on the amount that any taxpayer would have to pay in local taxes. Much uncertainty remains over the details and the methods of implementation - which are being contested by the local government associations - but this is a clear attempt by central government to assert more direct control over the autonomy which successive governments of different persuasions have encouraged amongst local authorities over the past quarter of a century.

There has been almost no interest shown in the performance management arena. Unlike other countries in Western Europe, there has been no broadening out of the remit of the auditing role and as yet no suggestions of this kind have been floated by central government. The Chief Executive of Lyon, Jean-Baptiste Fauroux has raised performance management issues within the trans-national five major city Chief Executives International Network of which Lyon is a member. He has taken his management team to Birmingham to discuss performance management issues and then visited the offices of the Audit Commission in order to pick up ideas and learn from some of the English experiences. But he went abroad to look because of the absence of developments within France.

This arises partly because these matters are seen entirely as a matter of local responsibility. As Martine Buron, the ex-mayor of a small municipality in central France, comments “Nobody from the national state would ever dare to interfere in the

effectiveness of local services. This is unheard of. If people aren’t satisfied they don’t vote for you next time.”

However, one element of the wider changes identified in our opening chapter has brought legislative change and led central government to impose a new framework on local authorities. This concerns the area of public participation. Various attempts have been made to add a citizen component to the running of public services. In 1992 a law established the requirement for sub-national authorities running a public service to establish a committee of users. However, these have proved very hard to set up in many areas of services such as water or waste disposal. There has been more success in schools with committee of parents involved in the school governing bodies while in the major urban areas consultative committees of public transport users have generated some interest, although this has been less so in rural areas. In February 2002 a new law on ‘democracy and proximity’ made the creation of neighbourhood councils compulsory in cities with more than 80,000 inhabitants, with new consultative committees required in communities larger than 50,000. These measures represent efforts by central government to rectify the perceived democratic deficit of local government and in the process to ensure that by enhancing public participation the activities and services of local government are responsive to local needs and wishes.

CONCLUSIONS

The face of French local government continues to change. Over the last quarter of a century it has gained more autonomy in terms of resources, legitimacy and expertise. On one hand, the central state has ‘let go’ in a big way. New forms of local government have been facilitated; the larger cities have gained in influence as the structures begin to reflect more accurately contemporary French society; and new forms of public participation have been backed by national law.

Yet the perpetual tension within central-local government relations remains. This is evident in the use of earmarked grants and contracts and the proposed law seeking to cap local government spending. However, to date, France remains immune from other aspects of new public management widely utilised in many parts of Western Europe. Yet with the pressures already evident on costs it would seem likely that in an era of swift change a focus on the performance characteristics of French local government may not be far away.

4

United Kingdom

INTRODUCTION

In this study the United Kingdom is distinctive in a number of respects. Firstly, it is a unitary state but with four component national elements – England, Wales, Scotland and Northern Ireland – which in various ways influence and shape the system of local government. Secondly, it is a country with no written Constitution which means that the capacity for central government to alter the ‘rules of the game’ in relation to local government is unrivalled. It faces no Constitutional impediments. Thirdly, it is the country with the fewest number of both councillors and councils, which have on average the largest populations. Thus in England, with a population of over 50 million, there are just under 400 councils – 34 counties, 36 metropolitan councils, 33 boroughs in London and 47 unitary authorities, the remainder being smaller district councils. Fourthly, the UK was one of the first European countries to confront the limitations of the post-war Keynesian settlement. Under the Conservative government of Margaret Thatcher it responded in a radical and dramatic fashion to this challenge with consequences that have profoundly altered central-local government relations in the country.

CONTROLLING LOCAL AUTHORITY INCOME

The UK experienced a serious economic crisis in the mid 1970s. The then Labour government had to gain financial support from the International Monetary Fund and in return was obliged to reduce public expenditure. Local government was an obvious target, especially since around two-thirds of its annual revenue came via central government grants. In the late 1970s these grants to local government were cut back sharply.

With the election of Margaret Thatcher’s Conservative government in 1979 central government’s efforts to control and contain local authorities increased greatly. The first two Thatcher governments concentrated on controlling local government finance. They aimed to cut back expenditure, setting financial targets for individual local authorities and then moving to a system of direct control by setting a maximum ceiling for council expenditure – a ‘cap.’ This system of capping denied local and metropolitan authorities the right to decide and set their own overall budgets, and resulted in sharp conflicts, with a number of authorities refusing to comply with the government’s requirements. In response, the government abolished the metropolitan tier of authorities in the large urban areas including London, even though a

previous Conservative government had established these authorities just a decade earlier.

Alongside stricter financial controls, national government took steps to reduce the role and reach of local authorities. A number of functions were taken away from their control, e.g. further education colleges, and given to government-established single purpose bodies. The direct service-providing role of local authorities was reduced by a number of privatisation measures of which the most far-reaching was the promotion of the sale of council houses to existing tenants. Over the last 25 years this has increased the number of owner-occupiers in the UK to more than 70% of the population and significantly reduced the role of local authorities as a provider of social housing, with housing associations playing a growing role. In a similar vein the third Conservative government introduced a system of compulsory competitive tendering (CCT) in blue-collar services such as street-cleaning and rubbish collection designed to force local authorities either to outsource these services or to cut substantially their cost if they remained in-house. This was later extended to a range of "white collar" professional and administrative services – finance, law, IT, human resources etc.

Still not satisfied with their ability to control sufficiently local government expenditure the third Conservative government proposed the introduction of a poll tax – in today's parlance a flat tax - to be paid by every adult for local authority services. This sparked a widespread popular revolt. The measure had to be withdrawn and was replaced by a local tax based on property values. In the process the previous business tax which had been set locally was nationalised, so that by the early 1990s almost 80% of local authority revenue was allocated nationally.

THE CHANGING CHARACTER OF AUDITING

Traditionally, most local authority accounts were checked and monitored by an official known as the District Auditor (DA), a public service semi-independent of government. The District Audit service was first set up in the mid 19th century to regulate the accounts of the Poor Law authorities (it was feared by government that these authorities might otherwise be corrupt or too profligate), and its remit was gradually extended to cover almost all local government bodies, as local government developed in the late 19th and early 20th century. In formal terms, the role of the District Auditor was only to check financial and legal correctness of the accounts. But – and it was for a long time a big 'but' – the DA had the power

to "surcharge" elected councillors or officials responsible for any unlawful expenditure, or for illegally failing to bring in revenues that should have been collected.

The problem of the surcharge came to a head in the early 20th century, when some District Auditors considered that some councils were being excessively generous either to welfare recipients (e.g. workers on strike) or to their staff. So the concept of illegality was stretched to include what was seen as "unreasonable" expenditure.

So in the UK, there was never a clear dividing line between the purely financial audit, and the administrative supervision. It was only in 2000 that the power of surcharge was abolished. Since the end of the 1970s, the District Auditors had tended to be more restrained in their policy oversight role, for the most part avoiding politically controversial decisions. The one more recent famous example of surcharge, in the 1990s, involved the City of Westminster's then political Leader, Dame Shirley Porter, who was surcharged millions of pounds for losses that arose from an unlawful policy in relation to council housing, where her administration tried to use its powers of sale etc. in order to "gerrymander" the social composition of some marginal electoral wards – known as the "homes for votes" scandal.

Since 1983, a new body was set up by the Conservative Government, called the Audit Commission. The District Audit service was transferred to the Commission, which appointed the auditor for every local authority – either a District Auditor from its own staff, or a private sector auditor. In addition to its technical audit functions, the Audit Commission had the task of reporting on value for money issues (VFM), based on the three "E"s of economy, efficiency and effectiveness. The Commission published national VFM reports, and each auditor in each authority examined its VFM performance, and reported publicly on its findings. Moreover, each local authority had to pay for this VFM and audit service. When the Congress of Local and Regional Authorities of the Council of Europe made a report on the UK's compliance with the Charter of Local Self-Government in the late 1990s, these VFM powers of the Audit Commission caused it some concern, since it looked like (and often in effect was) a form of policy supervision.

Despite these concerns, the Audit Commission's role, including its VFM role, became relatively well accepted over time, and its powers were extended to other public bodies, including various bodies of the National Health Service. In 1992, the Commission was given new powers to require local authorities to publish

defined performance information – and a new era of performance indicators and performance management began. From the mid 1990s, the comparative performance of local governments around the country was published annually, giving rise to “league tables” showing the “best” and “worst” authorities of each class.

The development of this new culture, focussing on outputs rather than inputs has been fast and furious. Initially, there were relatively few performance indicators which local and health authorities had to collect and which Audit Commission inspectors then checked. However, during the third Conservative government a new national curriculum in education was introduced, targets were set and a rigorous regime of schools’ inspections introduced, run by a new national inspectorate, Ofsted (Office for Standards in Education). To enable comparison between schools, league tables of examination results were also published.

PERFORMANCE MANAGEMENT

This is a culture that since 1997 three Labour governments have developed and intensified. While the financial pressures on local authorities have eased somewhat (with budget “capping” powers being used on a more limited basis), the performance pressures have tightened. The Labour government has focussed relentlessly on the internal workings of local authorities, both in terms of political organisation and performance management.

It replaced compulsory competitive tendering with a requirement on local authorities to pursue Best Value. This required authorities to review all their services over a 5 year period and prepare a local performance plan. Using 117 Best Value Performance Indicators setting out targets for services, local authorities were subject to audit by a newly created Best Value Inspectorate appointed under the Audit Commission. With the new legislation central government took general powers to intervene for the first time in what they deemed to be poor authorities, and ultimately to remove the relevant functions from those authorities.

This approach was followed in 2001 by a White Paper ‘Strong Local Leadership: Quality Public Services’ which stated that from 2002 all local authorities would have to undergo a Comprehensive Performance Assessment (CPA) looking at both individual services and corporate performance on the basis of which the local authority would be ranked in one of four

categories with the bottom rank triggering government intervention. In terms of performance management the CPA “is the doyen of them all” in the words of Mike Ashley, Executive Director of the Local Government International Bureau. “In its detail and intensity it is unparalleled.”

This style of performance management, with targets set for each area of activity within a service, has been adopted across all parts of the public sector – from hospitals to home care; from police to the probation service. In consequence, there has been a mushrooming of inspectorates, all working to nationally-prescribed templates and scrutinising services and functions across all parts of local government and the broader public sector. The estimated annual cost of all the inspectorates scrutinising local government has been put at £600 million. This takes no account of the indirect costs, above all the amount of staff time devoted to collecting the data, collating the performance indicators and preparing for the inspection visits.

The impact of these changes on the conduct of local government and the public sector more broadly cannot be underestimated. It is estimated that currently there are more than 1,000 performance indicators in use by central government across local and public sector agencies. This culture has spread like a virus. Every new earmarked grant which central government makes available, such as for work with young children or for drug prevention, has its own performance targets which recipients must comply with. It is a culture that has been adopted wholesale by other government-funded national organisations such as the Arts Council. Furthermore, it is a culture that is now copied and reproduced by local government itself, both in the way it conducts its own business with its own additional performance indicators, and the demands it makes on others, for example when it gives grant to local voluntary organisations.

It is not easy to get a balanced picture of the impact of all this focus on performance. Government ministers claim that it has helped to improve performance across the public sector, for example with the significant improvements in pupils’ school examination results. Critics assert that such improvements were occurring anyway and that the bureaucracy and time involved in this activity simply saps morale and diverts staff from their proper work. Interestingly, Sarah Wood, an Executive Director at the national Local Government Association, acknowledges that the 2002 Comprehensive Performance Assessment process “has had some successes. It did help to raise the performance culture of some local authorities.”

In similar vein some government ministers have begun to acknowledge the limitations of a heavily centralised system overloaded with performance indicators. Even as ardent an advocate of targets and performance management as Cabinet Minister John Hutton, has stated that "we do need to recognise their limitations and not be blind to the perverse incentives that they can promote within an organisation" (8th September 2005).

FUTURE OPTIONS

It may be that the momentum behind the highly-centralised drive to performance management has run out of steam. Another part of national government, the Office of the Deputy Prime Minister, the Department which has the main operational responsibility for local government, has been facilitating an approach that relies more on voluntary self-regulation.

It "top-slices" (transfers) £25 million from its overall local government budget, which it allocates to the Improvement Development Agency (IDEA). This Agency sees itself as part of the local government family. Its big idea, explains Associate Director Oonagh Aitken, is "to build the capacity of local government to improve from within." The key ways it does this are by peer challenge and peer review, combined with some specific direct support. The peer review is usually undertaken by councillors, often quite senior, who spend up to a week within another authority scrutinising and evaluating the council's overall performance and the work of particular services. The IDEA is finding that generally this is a successful approach with sufficient rigour to ensure that shortcomings are addressed and tackled. (In some respects this method of using councillors has analogies with the Swedish method of electing councillors to undertake performance and financial auditing - see Chapter 7 below).

This type of work is labour intensive. The IDEA has 350 staff. To ensure high quality it trains the councillors who do this work and accredits them. But, its work finds wide support amongst local authorities within England and Wales, with three-quarters of them engaged with the IDEA. The thinking now is to move to a national system of voluntary self-regulation. Aitken is quite clear that "legal and financial controls are not the way to improve services. You cannot regulate and improve at the same time. The Audit Commission should concentrate on the former."

Yet Aitken is not just a critic of the Audit Commission and the Comprehensive Performance Assessment – "too bureaucratic, too rigid and too complex", she argues. She and her IDEA

colleagues believe that the shortcomings of the CPA are opening the way for a national system of self-regulation. But, they are looking for new ideas too. Here, the issue of citizen and user involvement is coming into play. The issue of direct democracy and citizen participation was one of the themes touched on in the opening chapter. It has been a persistent undercurrent in the discussions and reforms which have affected a range of public services over the last two decades. Now both the IDEA and the national Local Government Association are looking at a variety of representational forms – user surveys, citizens' juries, user panels – to be embedded in any system of self-regulation. "The trick will be to systemise this element as a tool for improvement" says Aitken. It is a view echoed by the LGA's Sarah Wood. "Citizen involvement is the key new element in performance assessment. We know the stakeholders in each service will vary and that at times these issues are complex. But we think there's real potential here, especially if we can use new technology. It will generate a culture that can challenge the professionals and demand a culture of good services."

Both the LGA and the IDEA hope that this type of approach will be adopted in 2008 rather than have another round of CPA-style assessments. However, if they offer one route forward, then Cabinet Minister John Hutton has signalled another option. In a speech to the Social Market Foundation on 8th September 2005 he spoke of "handing power to individual service users...extending the ability to choose between public service providers."

In a similar speech a fortnight earlier on public service reform Hutton spoke of the need to "seize the opportunity to harness and manage the modern tools of competition and choice to create a public service delivery system." (24th August 2005). These speeches signal the wish for some in the national government to extend considerably market mechanisms into the core of the country's public services. Hutton believes that "creating new dynamics in public services will reduce the need for central targets."

Hutton's thinking suggests that the impetus behind the very centralised performance system that the UK has created and uniquely developed may be on the wane. The open question remains what will follow it: a move towards a system of voluntary self-regulation, or extended moves to a more "marketised" system under which central targets are seen as less necessary.

5

The Netherlands

INTRODUCTION

Dutch local government has deep roots and is firmly embedded in the country's institutional structures. The country is defined as a decentralised, unitary state with the public administration shared between three spheres: central government; 12 provinces; and 458 municipalities. The constitutional position of local government was set out in the Constitution of 1848 and the subsequent Municipal Law of 1851.

The principle of general competence set out in the Constitution gave power to local authorities to regulate and administer their own internal affairs. The Constitution also stipulates that local authorities should be able to co-govern i.e. be involved in the implementation of national legislation at local level. With the 20th century expansion of the welfare state, this constitutional framework resulted in an expanding role for municipalities and led to a complex set of shared responsibilities with both central government and the provinces.

However, unlike in Sweden, this substantial constitutional role has not been reflected in the municipalities having primary tax-raising responsibilities. Indeed, in European comparisons, Dutch local authorities raise relatively little of their own resources: just one sixth, with the bulk of revenues coming from national government in either general grants, just over

one third, or in specific grants earmarked by ministries for specific purposes, which account for approaching one half of municipal income.

However, the constitutional protection afforded to local government means that national governments have not been able to impose their wishes on municipalities to the extent that these figures might suggest. Once distributed, each local authority is free to spend the general grant on local priorities and although the bulk of the specific grants are hypothecated to specific services such as health, education, police, etc, there is still some discretion open to municipalities. At the same time the overall sum available to local government is determined by discussions within the Dutch Parliament rather than by the government and Dutch local government has developed a solid track record of using its political clout to influence the outcome of those financial negotiations.

After the Second World War, the Dutch system developed on a very strong consensual basis with very tight links between the political elites, religious organisations and other sectors of civil society. The local authorities were a powerful component of this system with the Association of Netherlands Municipalities (VNG) playing an influential role, developing into one of the most powerful and effective national voices for local government of its kind in Europe.

THE CHANGING WORLD

The autonomy and responsibility given to local authorities found reflection in their auditing arrangements. The task for the auditing of local authority accounts fell to the municipalities themselves. They use private sector companies for this task and the focus of this activity is entirely financial: to check probity and accuracy of the financial accounts. Since 1st January 2005 a legal element has been added to this role, for example the need to check that public procurement rules have been followed, one way in which the changing context imposed by the European Union is impacting on local government. Yet to date, the auditing function has not been broadened to include a performance measurement, cost-effectiveness dimension.

However, if the formal auditing mechanisms have remained relatively stable the broader context and character of Dutch local government has undergone enormous change. The economic crisis of the 1980s resulted in major changes in the Dutch model of government. The drive to reduce public spending led national government to shed a number of previous responsibilities, shifting them to the local level but with less than full funding. A range of responsibilities in the fields of public housing, education, child care and social security were transferred.

In some instances previous national government responsibilities were not transferred to the provinces or municipalities but rather to independent public boards. This was a widely-used alternative to territorial decentralisation but inevitably resulted in a more complex mosaic of relations at the local and provincial level.

Within this changing context the ideas of new public management began to exert significant influence within Dutch local government. Already in the 1980s a number of the larger local authorities changed their organisational arrangements away from centralised traditional structures towards more decentralised organisational forms, aided by the new potential offered by the widespread introduction of computer technologies. This shift in administrative culture with a change of emphasis from process accountability, which for local government meant via elections and the ballot box, towards accountability in terms of results led to the introduction of systems of performance measurement.

Central government encouraged these trends. In 1990 the Dutch Ministry of Home Affairs – the Department responsible for relations with local government – formulated Policy and

Management Instruments for local government, the 'Beleids en Beheers Instrumentarium' BBI. This gave recommendations to local authorities for the introduction of business-like tools such as output budgeting, cost allocation and variance analysis all designed to make local government more efficient. This remained ministerial guidance: the Ministry could not force local authorities to apply these new management techniques. However, surveys showed that by the end of the decade around three-quarters of Dutch local authorities were applying some of these output-oriented planning and control instruments in their activity.

These managerial tools were one component of an on-going cultural shift that saw municipalities increasingly move towards a more commissioner/provider model of local government. During the 1990s municipal organisation was consolidated and slimmed down with some services privatised or contracted out and some others out-sourced, quite often to municipally-established, arms length organisations run on a not-for-profit basis. In these instances, local authorities would usually seek to regulate these service providers via specific performance criteria. On occasion, these developments also overlapped with the trend towards more attention being paid to consumer and user views, with citizens being involved in either surveys, consultative referenda or in the development of more interactive governance arrangements associated with devolution to local neighbourhoods.

Thus, we see here a pattern where over two decades the changing economic and political circumstances have driven an extensive process of transformation across local government, with central government shaping the process as with the transfer of responsibilities. However, the country's constitutional framework and consensual political culture has meant that central government has tended to cajole local authorities in new directions as with its ministerial advice on Policy and Management Instruments rather than seeking to impose this on local authorities.

MORE RECENT DEVELOPMENTS

Despite these far-reaching changes a strong sense of the traditions of the post-war consensus continued to dominate Dutch politics. There was a widespread feeling that authorities continued to behave too much like the Father State from the period of post-war reconstruction. This patronising and rather suffocating style of politics was under pressure but it fell apart in the turbulent upheavals associated with the impact of Pim Fortuyn and his politics.

Changes were already underway in local government. National government had been working for some years on agreements or covenants with the Association of Netherlands Municipalities (VNG) designed to shape central-local relations. For the period 1999-2002 they had agreed to bi-annual consultations involving an agreement on key tasks linked with measurable targets and periodic monitoring. This partnership gave scope for central ministries to influence local authorities and their performance but the covenant also gave more scope and policy access to local authorities.

A Royal Commission in 2001 made proposals which passed into a new Municipal Law in March 2002. These concentrated administrative powers in the hands of a municipality's executive board, while giving councillors a stronger role in scrutinising that Executive.

Within the general political upheaval of national politics there was widespread acceptance that the Netherlands needed a new set of inter-governmental relations setting out the tasks and responsibilities of the three spheres of government. The plans of the first and second Balkenende governments gave both the VNG and the IPO – the provincial organisation – the incentive to enter into discussions about a new vision for inter-governmental relations. Central government proposals for the partial scrapping of property taxes and cutbacks which had consequences for provincial and local authorities gave a further urgency to the talks. On 9th November 2004 the three sides reached an agreement on a new Code of Inter-Administrative Relations which set out in an explicit and detailed fashion both a clear division of respective responsibilities and an adherence to the principle of 'decentralised if possible, centralised if necessary.' Amongst key points in the Code in relation to this study, it explicitly states that "directing performance on the part of the State will only be possible if there is joint responsibility and the provinces and municipalities are called into joint governance. (Section 1 d). The Code emphasises that financial relations have to follow from these agreements and that whoever carries out a task must have the necessary funds and budget flexibility to fulfil its responsibilities. The Code promises that for central government "directing performance with financial sanctioning can only take place with specific grants" (Section 1 e), which should give local government much greater autonomy in the use of the general grant. Furthermore, the Code recognises that the VNG and municipalities will be involved in matters of policy development where there are important issues affecting local government. It promises that "draft legislation and policy will be put before IPO and VNG." (Section 2 a).

A combination of factors led to the agreement including a wish on the part of the VNG to try to be involved in the shaping of developments rather than just having to react to national government proposals and initiatives. The agreement gives the chairmen of both the VNG and IPO a seat at the Public Authorities Consultative Committee which is the political body chaired by the Prime Minister which will function as the platform for discussing the Code and future inter-governmental relations. There are high hopes that after the turmoil of recent years this agreement will represent a firm foundation in the words of the Code "to tackle the problems confronting Dutch society in a supple yet resolute way." (Section 3).

One early test of the flexibility of the Code will come in the debate on local taxation. Currently the Dutch government has submitted a bill that will abolish occupancy-related real estate taxation, and the remaining real estate tax related to owners will be subject to stringent limits. With an already limited own income base this proposal will significantly circumscribe the autonomy of local government. The VNG is contesting this proposal, describing it as an infringement of the Charter of local self-government.

More generally, the VNG is trying to shape and influence the main performance policy challenges facing local government. It recognises the need to improve the service performance of local authorities and hence is taking a keen interest in benchmarking. It is working with municipalities to develop a benchmarking system that will enable comparisons between authorities based on a common set of indicators. During 2006 it will present proposals to its members and then, after any modifications, intends to publicise the new system on a dedicated web-site. However, amongst the crucial features of this initiative are that it is voluntary; that the information will be available to the public; and that it will not be enforced or policed by central government, although civil servants and national officials will be able to use the findings. Thus, it represents another attempt by local government to shape its own circumstances rather than just reacting to central impositions.

[Czech Republic]

6

INTRODUCTION

Throughout Central Europe the local government reforms of the early 1990s were designed to complete the democratic revolution. Unlike in Hungary there was little anticipation of or preparation for democratic change in Czechoslovakia before the Velvet Revolution in November/December 1989. Nevertheless, local government reform became an early priority and in both the constituent republics elected mayors and councils were in office within a year.

There was the historical tradition of the 1st Czechoslovak republic from 1918-1938 to build on. Indeed, the origins of municipal government in Bohemia and Moravia go back to the 1848 revolutions within the Austro-Hungarian empire. A basic local government structure was established by the 1990 legislation giving both Czech and Slovak municipalities wide responsibilities although many public services including health and education remained within decentralised elements of the state administration. No regional structures were established.

The break-up of Czechoslovakia at the end of 1992 inevitably involved some disruption. However, the Constitution of the new Czech Republic on 16th December 1992 confirmed that "the self-administration of the territorial self-governing unit shall be guaranteed." Thus relatively quickly and smoothly a framework was set for local government including their rights in the economic sphere.

MUNICIPAL ORGANISATION

In these early years the creation of new independent municipalities was one of the main political preoccupations. There was a strong public backlash to the forced amalgamations of the Communist era. Whereas there had been 11,641 local authorities in 1947 by 1989 there were only 4,104. While mergers on a similar scale had occurred in many West European countries in the Czech Republic this process was identified with Stalinist centralisation. Such was the scale of popular reaction and the wish for a renewed local identity that 1500 new authorities had been set up by the end of 1990 and by 1994 there were well over 6,000.

Gradually, there came a recognition that these very small councils just could not fulfil the functions of local government. Steps were taken to unite small municipalities of less than 3,000 people into associations so that they could provide services to citizens in an efficient manner. Currently, there are 6,258 Czech municipalities of which 80% serve populations of under 1,000 people.

LOCAL GOVERNMENT FINANCE AND AUDITING

While countries in Western Europe felt the impact of economic recession in the 1980s, hard times came to Central and Eastern Europe in the early 1990s as their smoke-stack industries had to face the harsh realities of commercial competition. Inevitably, councils felt the chill winds as large budget deficits encouraged governments to apply a fiscal squeeze on local government. Inflation was also a tool for transferring austerity measures to local government as intergovernmental transfers did not compensate municipalities for the losses in the real value of grants and shared revenues.

This problem was exacerbated by the fact that in the Czech Republic as with most of the surrounding countries the contribution of own source revenues to local budgets remained modest. Local taxing powers were not raised as a solution. Instead, the local authority associations in most countries focussed on ensuring a fair share of nationally determined revenues. In the Czech Republic municipalities receive 21% of the combined receipts from personal income tax, corporate profits and value added tax and this is distributed on a simple population basis with weighted coefficients for rising population size. This tax sharing system is enshrined in permanent law – as it is in Slovakia – and thus less vulnerable to annual State budget decisions.

Thus, in a relatively short period a stable system of local government finance has been established. The task of auditing these finances rests with the local authority, which independently decides on its external auditor. Currently, there are more than a thousand to choose from. The task of the auditor is restricted to issues of legality, financial probity and correct accounting. If the auditor unearths shortcomings the Mayor has to report these to the full Council. The main consequences are political in the sense that this causes political embarrassment to the ruling party. Neither central nor regional government can exert sanctions as a consequence although there is some recognition that negative audit reports may influence central government in the allocation of future grants to the offending municipality.

Until now there has been no broadening of the auditing remit or consideration given to matters of value for money or measurement of performance. The autonomy and independence of municipalities has been respected and carefully observed over the past decade, notes Vana Lukas, the Head of the Legislative Department of the Union of Towns and Municipalities of the Czech Republic (SMOCR). Yet he believes that there are a few signs that things could change. "Last year the Ministry of the Interior prepared some material looking at comparisons between the bigger towns. This was discussed but since then all has gone quiet." He doubts what value such comparisons would have for the 80% of very small councils but says that some performance-type comparisons between the bigger cities are just beginning but "on a voluntary basis." These may be the first 'green shoots' of the performance management agenda.

EUROPE AND THE REGIONS

Much decentralisation was not completed until the final run-up to EU accession in 2004. There were protracted arguments

about the numbers and boundaries of regions fuelled by competition between cities to be regional capitals. The doubtful claim that EU membership required regional government helped to force the issue.

In fact the shortcomings of the unreformed state administrations to match up to the accountability standards demanded by the EU's Copenhagen criteria was much more of a factor. Many state district offices were closed and most competencies transferred to elected regional authorities which were established in the Czech Republic in 2002. In all, thirteen regional authorities plus Prague were established and given a range of powers, with particular responsibilities for social and economic development.

One of the regional roles is also to provide 'methodological support' to municipalities. This is particularly designed to help the very small councils to manage their affairs. However, the current assessment is that this support is not very effective, partly due to wrangles over the sources of funding for it.

CONCLUSIONS

The last decade and a half has seen a remarkably smooth transition to a relatively stable system of local and regional government within the Czech Republic. The upheaval of the Velvet Revolution has been followed by the division of the country, deep economic recession and then preparations for entry into the European Union.

In this context it is not surprising that both central and local government have focussed on the fundamentals, getting the basic framework and structure established and the legal and financial systems in sound working order. The Union of Towns and Municipalities of the Czech Republic (SMOCR) has helped this process. Founded in 1990 it has helped to give local government a voice and has enabled it to play an important role in negotiations with both parliament and central government. To date, SMOCR and the government have only begun to explore very tentatively some of the issues of cost-effectiveness and performance which have been the focus of attention of colleagues in Western Europe. With the creation of a stable system of local government, the entry of the Czech Republic into the EU accomplished, and a significant Structural Funds budget for the post-2006 period secured, it may be that attention will now turn to these wider questions.

7

Sweden

INTRODUCTION

Sweden's local and regional government is well-rooted in the country's history. Local self-government took shape in the 19th Century. The Local Government Ordinances of 1862 regulated the overall municipal framework. It gave genuine autonomy which is most clearly expressed by the ability of local and regional authorities to raise their own resources. And the principle of local self-government is firmly asserted in Article 1 of the Swedish Constitution.

In 2004, on average across all local and regional authorities almost 70% of total revenues came from the authorities own resources, namely a local income tax. Flowing from this situation is a strong commitment to the independence of local and regional government and a recognition of their own responsibilities to provide good public services. This background and tradition has shaped and influenced the ways in which the country's 290 municipalities and 21 county councils have responded to the challenges and changes of the last two decades.

AUDITING

Traditionally, there has been a relatively light touch in the oversight by central government of the services and activities of local and regional government. The devolved government

offices - the county administrations - played the main supervisory role until the early 1980s when the powers of the prefects were diminished. They still retain an inspection role in social care ensuring minimum standards in children's homes for example, while individual citizens are able to complain to these offices about particular shortcomings of service or on planning and development issues.

For the other major services such as hospitals and education there are national boards – the National Board of Health and Welfare and the National Agency for Education. These have both an information role in collecting and publishing data and an inspectorate role, visiting schools and hospitals to check minimum standards. These agencies can in certain cases initiate a judicial review or impose a conditional financial penalty on a municipality or county council. For example, if a disabled person is denied their entitlements and challenges the municipality in court, if the municipality does not obey a subsequent court order then a penalty can be issued. Another example would be if environmental legislation is breached. However, these conditional penalties are seldom used.

These government agencies cannot declare local government decisions invalid and their overall influence is relatively weak. The inspectorates can make recommendations but have no power to force the municipalities to adopt them. As Stefan Ackerby, Assistant Chief Economist at the Swedish Association of Local Authorities and Regions (SALAR), recalls "over the years not one public school has been closed down."

Yet there have been major changes in auditing practice in Sweden over the last decade and a half. The shock of the economic crisis of the early 1990s deeply affected all aspects of public life in Sweden - and Finland too. There was a drive to savings with some privatisation and outsourcing of previously public services but more generally, for the public authorities it resulted in a serious look at performance. The traditional role of the auditors had already begun to broaden but with the economic crisis it was broadened further and deepened.

The national law requires each municipality to appoint auditors. Normally they elect from within their own ranks a number of councillors, who step aside from any Executive or party political roles and undertake an auditing function with the support of dedicated professional staff, either from within the local authority or drawn from professional auditing firms. In some municipalities former councillors are selected. The auditors have always been regarded as a basic and important democratic element within the Swedish system of local self-government with no state authority taking any part in monitoring or supervising how the locally elected auditors fulfil their function.

From the mid 1990s the vast majority of authorities have ensured that their audits have focused on the dual tasks of financial probity and cost-effectiveness. Akerby believes these audits have been "very effective." Many of these auditors have been "very tough" with their colleagues and where they have produced critical reports they have had real political and press impact.

This view is shared by Bjorn Jakobson, Co-ordinator from the Chief Executive's Office in Stockholm. In Stockholm, the auditors have commented on the performance and the quality of services for more than a decade. They produce several reports on particular services and Departments each year. They "are genuinely independent" of the municipality and this scrutiny function has "helped to improve our organisation."

The occasional doubt about the efficacy of this system is raised. Recently, the former General Director of the State Auditing Authority raised concerns about the involvement of local councillors in this process, declaring that this makes rigorous scrutiny more difficult. However, it appears that majority opinion is content with the robustness of the process. It serves as an example of central government setting a national requirement through the legislative process and then relying on local and regional authorities to carry it out.

THE DRIVE TO IMPROVE PERFORMANCE

With regard to shaping the performance of local and regional government more generally national government has deployed a number of approaches. The most traditional has been to exert some financial control over budgets. The national government law of 2000 insisted that all local authorities and county councils had to bring their budgets into balance on an annual basis. They were not allowed to run overdrafts or use capital reserves to offset revenue shortfalls. No penalties were to be imposed. Many municipalities as well as county councils with heavy hospital expenditures have found it difficult to meet these targets but the political impact of overspending has been a very powerful weapon. As Helen Slattman, Senior Economist at Stockholm City Council, acknowledges, "this legislation has had a real impact on local authorities."

The second trend evident in the last couple of years has been a return to the practice of specific earmarked grants which national government had shelved in the 1980s. Since 2003 the government has introduced a specific school grant which municipalities can apply for if they have increased the number of teachers per pupil. In 2004, it gave additional funds for community mental health care after the tragic murder of Foreign Secretary Anna Lindh highlighted shortcomings in community psychiatric services. As well as these unilateral actions central government on occasion has sought to raise general grants after reaching agreement with SALAR on how to use the additional money. One example is the ambition to increase capacity in primary health care. In these instances central government effectively offers a bargain: we shall give local authorities and county councils more money provided you agree to spend the money in the ways we determine. This approach has provoked unease within the national local government association since it undermines their principled outlook that decisions on resource utilisation are the proper responsibility of the accountable local authorities and regional county councils.

The third approach being tried by central government is to seek to gain influence by shaping the policy debate and ideological climate. Here central government has been working very closely with SALAR in developing a common outlook on performance and quality issues. Both have been building up databases on a wide range of social, educational and healthcare issues and the local authority association has already produced joint publications with the Statistical Central Bureau. From 2006 they will go further and operate a large, joint database. Stefan Akerby is keen to emphasise that this is no academic exercise. "Some of this aggregate data enables

general comparison but some is more detailed information on costs and performance. The idea is that by comparing performance indicators you can lift and shift performance. By comparing, you can then be improving." As examples he cites the network of many municipalities which has developed indicators on disability care and the work on quality indicators in elderly care which SALAR has done with 10 local authorities in Western Sweden. However, he acknowledges that so far generally they are stronger on costs than on quality indicators. This joint work between central and local government is an example of a co-operative, collaborative relationship with perhaps a hint of central government pressure in the background. It is part of an approach that seeks to improve service performance through co-operation rather than centralised control.

Yet as with auditing, it has been self improvement from within the authorities themselves that appears to be the main driver for change and performance improvement. This is deeply embedded within the country's largest local authority, Stockholm, but Helen Slattman maintains that since the recession of the early 1990s "every local authority and county council has had to focus on issues of cost-efficiency and performance. It has become automatic for us."

This thinking is evident throughout the authority. It permeates the traditional Annual Report which doesn't just report on the municipality's finances but also lays great stress on the authority's five goals and the specific targets that have been set to record progress towards them. Progress is checked not just in the Annual Report but also in the two follow-up reports undertaken during the course of the year so that performance as well as financial control is embedded within the overall running of the Council. Slattman declares that many Swedish authorities have these types of systems, developed in accordance with local circumstances and without any general rules set by national government. To the gentle enquiry, as to whether such a national framework would be helpful or not, she robustly replies, "completely inappropriate."

CONCLUSIONS

Both she and Jakobson are confident that this type of monitoring and evaluation help to improve the municipality's performance and the quality of services which it delivers. They see this culture of improvement as both locally generated and driven by the political process. A bad Audit report generates bad publicity and leaves the ruling party/coalition vulnerable to attack from the opposition. This view of accountability coming through the party political process is one that Ackerby confirms.

Performance culture is now well embedded in Swedish local government. The agreements between SALAR and the national government on joint data-bases is likely to give further impetus to the process. As Ackerby confirms, the logical consequence of this is to develop further comparisons between authorities and within specific service areas so that on-going improvements can be made and some of the thorny questions tackled, such as how to measure quality in many of the major service areas. Thus, more benchmarking and networking amongst Swedish municipalities is likely.

Stockholm is already doing its own benchmarking, but interestingly on a cross-Nordic basis. It is working with the six largest metropolitan areas in Scandinavia – Copenhagen, Gothenburg, Helsinki, Malmo and Oslo - with its senior officers meeting to discuss common issues on an annual basis. This trend has been developing for several years now and extends into a number of major service areas. It is one more sign of likely future trends, as authorities seek to co-operate and collaborate in order to learn about good ideas and practice as they seek to improve their overall corporate performance.

Trends and Directions

8

INTRODUCTION

The opening chapter of this study charted a number of the key socio-economic and political changes which had affected and occurred in Europe over the last 25 years. The on-going tension between central and local government has inevitably featured prominently in the contest over the direction of these changes. The six country profiles have shown the various ways in which this has been played out. In some, notably the UK, central government has sought to direct and impose; in others, for example Sweden there has been a more co-operative and at times corporatist relationship. In this final chapter, the author seeks to draw out some of the common trends and features, and puts forward his ideas and proposals for further consideration by the CEMR and its members.

COMMON FEATURES

While there is no uniform pattern to developments a number of common features are evident.

Firstly, the tumult of the last 25 years has left no country untouched. In all of them central-local government relations have undergone profound change.

Secondly, much of this change has been structural. This has been most dramatic obviously in the Czech Republic and the eastern part of Germany. However, the role of mayors has changed throughout Germany. Structural change has been a perpetual feature of sub-national government in France, while the traditional committee system of local government has been abolished throughout England and Wales. This has been a period of extensive organisational experimentation.

Thirdly, some of the changes have sought to bring local structures more into line with demographic shifts. Thus, there is a growing recognition of the role of the larger cities and metropolitan regions, perhaps most noticeably in France but also evident in the Netherlands and elsewhere.

Finally, the new international financial orthodoxies and the end of the Keynesian era of demand management have impinged on all European central governments. The knock-on consequence has been that every sphere of sub-national government has become more conscious of money. The focus on resources and the care with which they need to be spent has become almost universal.

WIDER TRENDS

There are a number of wider trends that have had a more uneven impact on local government but where significant change is evident. Central to this study is the matter of performance management. While the drive for cost-effectiveness is evident in various ways across all six countries, the picture on performance management is much more uneven, barely visible in the Czech Republic and France; gaining momentum across Germany; widespread in Sweden and Holland; and ubiquitous and centrally-imposed in the United Kingdom.

Despite these variations the direction of travel is unmistakable. Performance management, indicators and targets are here to stay. They are part of the contemporary machinery of government. For example, on the issue of climate change at Kyoto and more recently at the international conference in Montreal, all European governments have insisted that there must be clear, fixed targets for measures to tackle pollution. This insistence on targets has defined the European position in contrast to that of the United States. The demand for environmental targets has obvious consequences for local and regional government, for example in setting targets for the recycling of waste, increasing use of public transport, etc. Fulfilling the objectives that national governments have set themselves in international forums requires the development of a performance culture, one which enables local and regional authorities to measure their progress, benchmark with similar authorities and learn from the best-performing councils. Thus for CEMR and its associations, the issue is not to question the existence or validity of performance management but rather to contest its

content, style and method of achievement. Clearly, one of the key questions here is how to ensure that this is a genuine two-way process which allows space for local and regional priorities rather than a top-down procedure which imposes central directives and squeezes out local diversity.

This needs to be done in a European context because another wider trend affecting local and regional authorities over the last quarter of a century has been Europeanisation. This impacts on local and regional authorities in a whole variety of ways.

To give four examples. Approaching two-thirds of the legislation which local and regional authorities implement now has its origins in Brussels. The creation of the Single Market and the enlargement of the EU have both significantly expanded internal migratory flows so that growing numbers of people earn their living far away from their country of origin. Thus, local and regional authorities have to deal with the integration of immigrants and their families on a much greater scale than previously. In this period European Union funds have been acquired by many cities and regions to contribute to their economic regeneration and social renewal. The EU requires output measures for all of these funds, how many jobs created, training places secured, how much land renovated, etc. Finally, the growing interest in the quality of public services has begun to find expression within the EU itself. In 1998 the Ministers of Public Administration agreed that new methods for sharing knowledge between EU Member States on quality improvements in the public sector should be developed. A group of senior civil servants from all member states and Commission Directorates has formed an Innovative Public Services group. This oversees a bi-annual EU Public Administration Quality conference which first met in Lisbon in 2000 and has held successful follow-up conferences in Copenhagen and Rotterdam. Best practice cases from member states are the core of the conference with the rest of the three day programme looking at the most current topics of quality management.

The enormous developments of ICT and computerisation have fuelled and underpinned a number of these trends. Decentralisation of financial management to local units has been more practical; the creation of complex databases has become much more feasible; drawing comparisons is technically much easier. All the evidence suggests that these trends will continue and accelerate.

LOOKING TO THE FUTURE: HOW TO RESPOND.

One of the most noticeable aspects of this analysis is that local government almost always reacts to proposals, legislation or decisions of central government. It has rarely shaped the agenda. For a sector that prides itself on both its own resources and capacities this is a serious shortcoming. As a self-professed player in its own right in the government and governance arena, local and regional authorities have to stop being on the defensive.

There are signs illustrated by this study that important shifts are underway here. In Sweden, SALAR is striving for a negotiated partnership on these issues with central government. In Germany, the KGST is charting a distinctive way forward for local government. In the Netherlands, the VNG has taken important initiatives on benchmarking while the new Code on Inter-Administrative Relations marks a concerted effort to input into this agenda. Even in England and Wales, the efforts of the LGA and IDEA represent an effort to turn the tide of centralist imposition. Together, these initiatives indicate that local and regional government is beginning to show that it has a significant role to play and a distinctive contribution to make. The coming period needs to see local and regional authorities consistently tell their story and develop their own distinctive "narrative" of proposals and principles.

Each country will have its own nuances and distinctive features but across Europe there should be a common public sector story to tell. Here, the work undertaken already by the KGST in broadening the understanding of public management is particularly valuable. The core element to this should be the philosophy of public value. Local and regional authorities should be able to explain that they are the guardians of the public interest in their communities, cities and regions. That means both delivering tasks in an efficient, cost-effective way and protecting and advocating for the public interest. The public sector is different from and fulfils different tasks from private companies. That is why it is wrong to ask councils to mimic and copy blindly the methods, terminology and approaches of business. Not everything done by local and regional authorities is a commodity or a product. Many social and health services for example are preventative. Productivity cannot be captured in the same way. In a factory when fewer people produce more cars that is an improvement in productivity. In a school it is the reverse. Good long-term productivity leading to better results is more likely to come from more teachers teaching fewer pupils.

Not only must a clear philosophy of public value be articulated but performance measures need to be developed which reflect this. Some work has been done on this, but measuring activities that focus on prevention and finding good benchmarks for quality is not easy. As Stefan Ackerby admits it has been much easier measuring costs. It has to be recognised that not all public sector activities can be captured in this way; that much activity undertaken by public sector organisations is not an easily quantifiable 'product' but is still of value. The task for public authorities is to develop their own Performance Indicators that reflect this broader philosophy.

One component of this work is to develop appropriate models for user involvement and citizen participation. Again, some elements can be drawn from best commercial practice as with consumer surveys but authorities with comprehensive responsibilities need to go far beyond this. To date, the experience of citizen involvement has been patchy. In some countries such as Germany, it has appeared to attract just the more articulate middle classes. In France and Sweden there is involvement in schools but less success elsewhere. In England there has been a significant involvement of users and carers in disability and community care services but a more mixed experience of citizen engagement in regeneration schemes in deprived neighbourhoods. Undoubtedly, this is a strand of thinking which should help to define the distinctive philosophy of public value and be integrated into it, while avoiding naive expectations of consistent popular engagement.

Performance indicators only make sense if they are used to compare authorities. Furthermore, one has to compare like with like. That is why performance management demands comparator groupings, benchmarking and networks. These are already evolving in a number of countries. The self-help model of the German Municipal Association is one notable example; the data-base development and comparative studies being undertaken by the Swedish Association is another; while the peer review work by the Improvement Development Agency in England and Wales is a third. It is also noticeable that the big cities are developing such networks within their own countries e.g. Association of the Mayors of the Large French Cities; the Italian Club of Ten; the English Core Cities, while the informal group of major Scandinavian cities shows that for the large European cities this networking needs to be of a trans-national character.

All the above points suggest that there is an important strategic role here for both national associations of local government and for the CEMR itself. They could take the initiative on these issues.

The national circumstances will vary but four steps are open to all CEMR members. Firstly, to articulate a clear vision on quality and performance management. Secondly, to develop the criteria and indicators that reflect that vision. Thirdly, to discuss and share it with colleagues within your own borders and beyond. Fourthly, to present these initiatives to central government, and to regional government in federal states.

The CEMR itself needs to approach matters in the same way in the European sphere, working with other major associations and presenting relevant initiatives to the European institutions. One possible venue is the bi-annual Quality Conference due to take place next in Tampere in September 2006. A self-confident, pro-active local and regional sector might see this as an ideal opportunity to shape and influence the agenda rather than just react to it.

CONCLUSIONS

We are living in a fast-changing world. In order to be able to engage and influence it, local and regional authorities must acknowledge some of its key underlying features. A focus on cost-effectiveness and performance management has become a significant feature of this world. This focus is likely to continue and grow.

Tensions and arguments between central and local government are inevitable. However, they can be resolved in different ways. The proposals outlined above in this chapter offer a model of constructive engagement. They suggest that a mature local and regional government sector can participate effectively in the debate on the role and performance of public organisations; defend itself from centralist impositions - whether from central government or European institutions; and show that in an interdependent world, close cooperation by the European Union and central governments with autonomous local and regional authorities offers the best way to develop good public services and the wider health of the public sphere. It is the route that individual local and regional authorities, their national associations and CEMR itself should confidently follow.

CEMR

in a nutshell

The Council of European Municipalities and Regions (CEMR) is a non-profit association. It is the broadest association of local and regional government in Europe. Its members are national associations of local and regional governments from over thirty European countries.

The main aim of CEMR is to promote a strong, united Europe based on local and regional self-government and democracy; a Europe in which decisions are taken as closely as possible to its citizens, in line with the principle of subsidiarity.

CEMR'S ACTIVITIES

Influencing European legislation

EU legislation – in fields such as the environment, public procurement, structural funds, state aids and competition law - has a huge impact on local and regional government across Europe. Influencing European laws is thus one of CEMR's key activities. Working closely with its national associations, CEMR draws up policy positions, which form the basis of responses to the European Commission, especially through its dialogue and consultation processes, and for lobbying the Parliament and the Council of Ministers, e.g. via specific amendments

Shaping the future of Europe

CEMR works for a Europe that respects the principle of subsidiarity and local and regional self-governance, a Europe in which all spheres of government (local, regional, national, EU) work together as partners. CEMR has campaigned for a European Constitution that recognizes the role of municipalities, towns and regions; it has also helped local and regional governments from new EU member states to prepare for accession to the EU.

Exchanging information and experience

Taken together, localities and regions constitute a well of experience in their domains of competences (social welfare, economic development, environment, transport...).

CEMR's role is to facilitate the flow of information on these experiences, to spread ideas and skills to all its members. To achieve this, CEMR organises working groups, seminars and conferences that enable its members to meet and discuss their concerns and ideas.

Supporting town twinning

CEMR has created the concept of European town twinning, which stems from the idea that a peaceful and successful Europe can be best built at its base, by its citizens. Today, there are over 30,000 town twinings across Europe, and support for this unique movement remains one of CEMR's priorities – in particular, by co-coordinating the work of twinning officers. CEMR works closely with the European Commission (DG Culture and Education) and the Parliament to ensure necessary financial and policy support for the twinning movement.

Strengthening local and regional government in the world

CEMR is the European section of the world organisation of towns and municipalities, United Cities and Local Governments (UCLG). Within UCLG, the Council of European Municipalities and Regions promotes democracy, local self-government and exchange of experience across the world. It also promotes North-South co-operation and capacity building.

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