Local Governance Review

# Systems of local governance and how citizens participate: an international review

Report Summary



This is a summary of an international review which analyses the local governance systems in seven case studies across the world, and how citizens are able to participate in local governance. The case studies are Denmark, England, Germany, New Zealand, Quebec, Scotland, and Uruguay. The <u>full</u> report of the review is available separately.

The international review contributes evidence and analysis to help inform the Local Governance Review (LGR), established to meet government manifesto commitments set out in successive Programmes for Government. The LGR is being undertaken by the Scottish Government in partnership with the Convention of Scottish Local Authorities (COSLA), and with the community sector in Scotland. The issues of concern for the LGR have been considered by commissions and independent reports in Scotland over the last twenty years; they have commonly highlighted:

- a concern with government centralisation
- the quality of local democracy
- the lack of a constitutional/legal position for local government
- the fiscal position of local government
- the quality of citizen participation and
- unfavourable comparisons between Scotland and other countries, looking at quantitative measures such as the number of local authorities, their average geographic size, the size of the population they serve, the ratio of elected councillors to local electorate.

### The aim of the international review

The international review looks at case studies of local governance systems in Europe, North and South America and Australasia. It takes a qualitative approach to develop deeper knowledge and richer understanding of different arrangements for local governance. The review also considers what opportunities citizens have to influence, or take part in, local decision-making beyond voting in elections.

The review considers the case studies comparatively, to identify where there are common issues or patterns in the ways in which systems are designed and function, and where systems differ. It does not identify an 'ideal type' of local governance that can be simply transferred and applied to Scotland. It aims to act as a resource for learning and reflection that can inform ongoing discussions about governance and democracy in Scotland.

Governance is complex and difficult to define simply. Most definitions emphasise these three dimensions: power/authority, decision-making and accountability.

### How the review was done

The selection of the case studies was guided by specific criteria, agreed with a Research Advisory Group (RAG) for the review. The criteria ensured a diverse range of case studies across the world were selected, which were all rated highly as well-functioning democracies, according to international measures of the quality of governance, democracy and levels of inequality. From this, the following were included in the review: Denmark, Germany, New Zealand, Quebec, Uruguay; England was selected as the most similar case to Scotland and Scotland provides a foundation for comparison.

Information about each case study was drawn from a wide range of written and online sources. In addition, there were telephone interviews with a range of international experts who could offer an informed assessment of a case study. This included academic and other active researchers about local governance/citizen participation, and others who work in local governance. From this information, a profile of each case study was produced that provides a rich qualitative picture of their governance system: full case study profiles are in Annex C of the full report.

Table 1 below provides summary information for the case studies, under the key themes. After Table 1, each theme is considered in more detail: comparisons are drawn between the case studies to identify where specific aspects of local governance arrangements are similar, and also where there are distinct differences.

Table 1: Co	mparative th	nematic summary	across the case s	studies			
Case study	Population (2020)	Historical development of governance	Key reforms in local governance	Current structure and function of local governance	Financial arrangements in local governance	Local democracy & politics	Citizen participation
DEN	5.8 million	Local governance largely unchanged from 19th century until reforms in 1970 and 2007.	1970 & 2007 Municipal amalgamation – larger and fewer municipalities.	Two levels: regions and municipalities.  Standardisation of municipal size: average of 55,000 population.  Standardisation of municipal functions: all responsible for welfare services and administering benefits; also aspects of healthcare, environmental protection, water supply, culture and recreation.	Majority of municipal income from local taxation: primarily income tax, but also property and business tax.  Government grants make up about one quarter of municipal income.  Local fees and services account for less than a fifth of income.	Municipalities are governed by an elected council. Councillors elect a mayor and heads of council standing committees from among their number. The mayor is the head of the administration. The executive is the administration and the council committees.	Primary route through local civic, sports and cultural organisations.  Some limited use of service user boards at municipal level, some mandatory e.g. for schools/ child-care but with little influence.  Little use of local referenda. This was first only advisory but is now legally binding but unused and no citizen initiation.

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Case study	Population (2020)	Historical development of governance	Key reforms in local governance	Current structure and function of local governance	Financial arrangements in local governance	Local democracy & politics	Citizen participation
ENG	56.3 million	Major reforms in late 19th century, then largely unchanged until 1974, and further changes in 2000s.	1974 law to create a simplified, standard system of two-levels of governance.  Further reforms in 2000s led to more varied local governance.	A highly varied structure.  Two levels in much of the country: county and district councils.  In other areas, one level: the unitary authority.  A larger (third) level exists in some parts of the country: regional combined authority.  A smaller (fourth) level exists in some parts: parish (or town) councils.  Size of councils varies significantly.  Unitary authorities responsible for education, roads, transport, social care, housing, culture and leisure, planning and development. These are divided between county and district councils.	Majority of income from central government grant.  Local income: majority through property tax and also business tax, charges and fees.  Parish councils have unique unrestricted revenue raising power: raising a 'precept' on council tax.	Directly elected mayors lead 7/9 regional combined authorities.  Councillors are elected by first by the post. The large majority of county councils are led by single political parties, nationally aligned. The majority of district councils also have a single party in power, but there are more coalitions.	Varied, but not systematic or significant  Range of non-binding fora for statutory and voluntary consultation across health, housing, crime and disorder.  Local referenda required to approve voluntary neighbourhood plans on planning and development.  Some local experimentation in the use of deliberative approaches and low level use of participatory budgeting.

Table 1: Comparative thematic summary across the case studies									
Case study	Population (2020)	Historical development of governance	Key reforms in local governance	Current structure and function of local governance	Financial arrangements in local governance	Local democracy & politics	Citizen participation		
GER	83 million	Local governance largely unchanged from 19th century until 1960s reforms, and then on unification.	Trend of municipal amalgamation – larger and fewer municipalities.	Two levels at the area-state (Land) level: districts and municipalities.  Large variation in municipal size.  Variation in municipal functions: a 'mixed economy'. Functions delivered at different levels and inter-municipal cooperation common, particularly among the smaller municipalities.	Majority of income from area-state (Land) grants and taxes.  Primary local tax income from business tax.	Municipalities led by directly elected mayors with executive powers. Municipal councils led by coalitions, including independent groups.	Significant use of legally binding local referenda, citizen initiated.  Discretionary participation activity focused on citizen 'voice'.		

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Case study	Population (2020)	Historical development of governance	Key reforms in local governance	Current structure and function of local governance	Financial arrangements in local governance	Local democracy & politics	Citizen participation
NZ	4.9 million	Local governance largely unchanged from 19th century until 1989 reforms.	Municipal amalgamation and rationalisation.	Two levels: regional councils and territorial authorities (rural district and city councils).  No significant role in welfare services or health.  Territorial/unitary authorities range in size from 1,415,550 residents (Auckland) to 600. The median resident population for territorial authorities is around 30,000 people.  Standardised responsibilities for territorial authorities including for roads, water and refuse, cultural and leisure services, local economic development.	No government block grant.  Majority of income from local property tax.  Also local fees and services.	Territorial authorities led by directly elected mayors, but with no executive powers.	Primary form of participation through local Community Boards, primarily advisory role.  Maori communities involved in co- governance over significant natural resources.

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Case study	Population (2020)	Historical development of governance	Key reforms in local governance	Current structure and function of local governance	Financial arrangements in local governance	Local democracy & politics	Citizen participation
QBC	8.5 million	Mid 19th century structures broadly unchanged until reforms begin from 1960s.	From 1960s, amalgamated municipalities. In 2000s, a focus on urban amalgamation and new layer of metropolitan governance.  Recent reform to increase municipal powers in planning, housing and development.	Three levels: administrative regions, regional county municipalities and municipalities  Wide variation in municipal population size: from less than 2000 people to more than 100,000. Overall, large majority of municipalities have less than 10,000 population.  Large variation in functions between municipalities. Municipal cooperation through 'agglomeration councils' in some urban areas, but also some delegation of functions below municipalities to borough councils.	Majority of municipal income from local property and other taxes, and services.  Minority of income from provincial government grant.	Municipalities led by elected mayor, with some limited executive power.  There is a large number of registered municipal political parties which are not officially linked or integrated with provincial parties.	Elected neighbourhood councils in urban areas providing views on local services/issues.  Further devolution to Inuit local government in recognition of right to self- government.

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SCOT	5.5 million	Local governance largely unchanged from 19th century until reforms in 1975 and 1996.	Municipal amalgamation and rationalisation, to a single level of governance in 1996.	Single level of 32 unitary authorities.  Large variation in local authority population (the smallest at just over 20,000 to the largest at over 600,000 residents) and geographic size. The majority serve over 100,000 people.  Standardisation of functional responsibilities including education, social care, culture and leisure services.	Over half of income from government grant.  Local income from business tax and property tax, each around a fifth.	No municipal mayors. National level political parties predominate in local politics, but independents also present. Councillors are elected by proportional representation. Most councils are led by coalition administrations or a minority party.	Local elected community councils to give community views, specifically on planning and development. Concerns about representativeness and lack of influence.  Growth in use of Participatory Budgeting for community decisions on allocation of relatively small local budgets.  Infrequent use of local advisory referenda.

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Case study	Population (2020)	Historical development of governance	Key reforms in local governance	Current structure and function of local governance	Financial arrangements in local governance	Local democracy & politics	Citizen participation
UGY	3.5 million	Early 20th century reform programme established constitutional foundations of democracy, in a two-party state.  Military dictatorship 1973-1984.  Post 1984, diversification of political parties.  Municipalities formalised in 2010, decentralisation ongoing.	From 1990s, gradual constitutional and legal reform decentralising power to locally elected municipalities, and formalising citizen participation.	Two levels: departments and municipalities. There is an additional layer of submunicipal governance in the capital city Montevideo.  Variation in coverage of municipalities: more present in urban areas and overall covering only 70% of the population. Mandatory for areas with population greater than 2000.  Broad set of municipal responsibilities, variably applied. Most share responsibility for lighting, waste collection and street cleaning, around half provide social care services, almost all local culture, sports and leisure services.	Majority of municipal income is direct from central government, the rest from budget allocations from departments.	Directly elected governors lead departments.  Municipalities led by elected mayor, as member of municipal <i>Junta</i> , with no executive power.  Local politics gradually emerging from historically strong national party direction, and influence of departmental governors.	Formal direct democracy a well-established tradition at national level. All constitutional reform subject to referenda and citizens can propose popular initiatives.  At municipal level, the practice of citizen participation still relatively immature as part of process of decentralisation.

The following summarises the key themes drawn from across the case studies.

# Historical development of governance

Understanding the historical development of governance in each case study helps to show its significance in shaping governance systems over time and what is now in place. This can be described as 'path dependency': that the options and thinking about possibilities for future governance reform are at least influenced, and perhaps somewhat constrained, by current and historic arrangements.

In some case studies, local governance arrangements established in the 19th century remained significantly unchanged until major reforms in the latter half of the 20th century. This was the case in Germany, Denmark and New Zealand. Although the timing of these changes are similar, the historical context in each country differs significantly. Scotland's major reform of local governance took place in 1975 but was preceded by a rationalisation and reduction in the number of local authorities in the 1930s. In Uruguay, a highly centralist state existed before the beginnings of gradual decentralisation in the 21st century.

# Key reforms in local governance

There is an identifiable pattern in the key reforms of local governance across the case studies. The reforms were driven by central government and tended to focus on reducing the number, and increasing the size, of the smallest units of local governance, which in most of the case studies are municipalities. Amalgamations were repeated in some case studies at the regional level as well, such as in Denmark. In the main, this has tended to be driven by considerations of efficiency and effectiveness in the delivery of services by municipalities. In Denmark, for example, a central element of its reforms was creating a municipal structure of a scale capable of

delivering the country's welfare system. In Scotland, 1970s reforms followed a similar trajectory of amalgamations to establish two levels of local governance. But the 1996 reforms established a single level of local governance which remains in place. In Uruguay reforms did not follow this pattern of municipal amalgamation; governance was highly centralised until moves from 2010 to formalise municipal structures and decentralise powers to local elected councils.

There is also a specific focus across the case studies on reforming arrangements in urban areas to create city-wide governance or larger regional units. This reflects increasing populations in cities, a focus on economic development across 'city regions', and a move for cities to compete internationally. This change can be seen in the capital cities of New Zealand and Uruguay. In 2010, for example, Auckland's eight local authorities were combined into a unitary council for the city. Montevideo has eight very large municipalities of 150,000-200,000 population but below them there is an additional level of governance called zonal community centres, which are not found in the rest of the country.

# Current structure and function of local governance

At each level of local governance there tend to be distinct responsibilities, finance arrangements, and structures. There are two levels in Germany, Denmark, Uruguay and New Zealand, which align to what we might describe in general as 'regional' and 'municipal' levels. The system of local governance in Quebec operates over three levels. These structural arrangements tend to apply uniformly in each case study. In England, there is a highly varied and complex structure: some places have a unitary authority, in others a two-level arrangement. There are also regional level structures in some parts and sub-municipal

structures in some parts. Multi-level local governance arrangements operate in all the case studies except Scotland.

The size of geography, and the population served at each level is not uniform within any single case study. There is very wide variation in the size of municipality across Germany. As an illustration, most municipalities in Quebec serve less than 10,000 people; the smallest, less than 2000, and the largest, more than 100,000. Denmark is the exception among the case studies: municipalities are uniform in population size, serving around 55,000 people. The majority of local authorities in Scotland serve at least 100,000 people; these are much larger than most municipalities in the other case studies.

Across many of the case studies, there are local arrangements which operate above and below the municipal level. These might be described as 'intermediary organisations' rooted in the democratic structures and processes. For example in Germany, large municipalities have institutions below them to be closer to local communities. And above the municipal level, there are more or less formalised groupings formed by small municipalities in cooperative arrangements to deliver local services, particularly those of a more specialised nature or which could benefit from economies of scale. In Quebec, cooperative arrangements between municipalities are established more formally, overseen by select councillors from the municipalities. Some interviewees reflected on the complexity of such arrangements and its impact on transparency and clear accountability to local communities.

All case studies illustrate the challenges of finding the 'right size' for levels of governance: designing institutions that are 'close' to their citizens and able to be responsive, and at the same time of a size able effectively to deliver the public services those citizens require,

and have the resources that allow them to be resilient and sustainable. Beyond the formal levels of governance in the case studies, there is a more complex patchwork of structures and institutions, with variation a generally accepted norm which enables a more flexible and dynamic approach to local decision-making.

Across the case studies, there is a lot of variation in which structures are responsible for decision-making about different public services. For example, the welfare state is delivered by municipalities in Denmark but in contrast, by central government in New Zealand, England and Scotland. This difference stems from the distinct historical decisions taken in each country about the welfare state. There are some patterns that emerge, where policy areas need to be considered at a scale larger than that of municipalities. This includes, for example, major infrastructure such as trunk roads and other policy issues that don't naturally reflect governance boundaries, such as environmental protection and sustainability.

# Financial arrangements in local governance

There is a great deal of variety in the financial arrangements for local governance across the case studies. In some case studies, the majority of municipal income is from some form of central government block grant (Germany, England, Scotland). But central government provides only about a quarter of total income for municipalities in Denmark and a minority in Quebec. Municipalities in New Zealand receive no government block grant, with local income alone.

Sources of local income also vary among the case studies. It is only in Denmark that municipalities have local income tax revenue; and most of their overall income is from local taxation. In Quebec, the majority of municipal revenue comes from local taxes. The majority of income for New Zealand's

local territorial authorities is a local property tax. In Scotland business and property taxes each contribute about a fifth of councils' income. Uruguay is an exception among the case studies. It remains highly fiscally centralised, despite ongoing decentralisation reforms. Municipalities have no independent source of local income and rely on central government and department funding.

Central government still has means to influence or constrain local income by retaining financial policy responsibility or through regulation, for example what local taxes exist, setting or capping levels of local taxes and tax bands. For example, in Germany decisions to introduce new taxes, and who gets that income, is set at federal and Land levels. Municipalities can only raise taxes agreed at higher levels of governance. In Denmark, the aggregated level of local taxation at a national level should remain the same so municipalities can only raise their rates of taxation if another municipality lowers their rates equally. In England and Scotland, local property tax rates are capped centrally and were frozen for 10 years in Scotland until very recently. Parish councils in England are notable in having decisionmaking power to raise revenue through a local 'precept' which must be collected by the higher level council or authority.

Across case studies, there was a general experience of municipalities being passed down additional functions or responsibilities by central government. Such decentralisation tended to prompt debates about whether sufficient funding from central government followed. That dynamic was recognised in some systems; for example, Germany recognised a principle of funding 'connected' to tasks or functions. If responsibility for a task or function passed from central government to local governance the associated funding should follow.

In a number of case studies, a national-level financial 'equalisation' scheme operates to ensure that local financial arrangements operate broadly on an even playing field. There are examples of such schemes in Germany and Uruguay, but with mixed pictures of their success in rebalancing inequalities of income between municipalities.

# Local democracy and politics

Local politics in the case studies tends to be dominated by councillors that are members of national political parties. This poses the risk that national political issues and interests predominate over local ones. This varies in some of the case studies. For example, a feature of local politics in Germany is municipal councils led by coalitions which include independent groups. In Quebec, a large number of registered municipal political parties are not officially linked to parties at the provincial level. Ongoing governance reforms in Uruguay are seeking gradually to enable and encourage local politics to grow, distinct from the national agenda that has predominated in the past. The position of mayor at the municipal level is present in some form in most of the case studies. But the role and decisionmaking authority of that position, and how they are elected varies. Scotland is notable in having no model of local mayor. In England, mayors have been established but not universally. They tend to have responsibilities at a higher level of governance, and over larger territories, than is typical in the other case studies.

# The relationship between national and local governance

In Germany, Denmark, Uruguay, a constitution provides a legal foundation for the role of local governance and its relationship with central government. In Scotland, England and New Zealand, a range of legislation together describes the role and responsibility of local government.

Academic commentators reflect that the strength of constitutional protections for local governance have perhaps been overstated. Local autonomy for decision-making is not an absolute but rather is experienced as degrees of autonomy. Local autonomy can vary depending on the policy area; and in forms of legal and financial discretion.

Across the case studies, there is evidence of limits on the decision-making autonomy of local governance as a result of the exercise of central government direction and control. Central government can exert power and control over local governance in a range of ways:

- Financial: central government direction through the funding provided to local governance, and in conditions applied to its spend. There can also be more indirect constraint through regulations that govern local sources of income, for example setting or capping the rates of local taxes. This is common across case studies.
- Regulation: statutory requirements that restrict and constrain discretion locally in the delivery of public services.
- Uniform service standards: central government obligations or standards for local public services that restrict local discretion and the opportunity for variation. For example, establishing uniform rights to childcare, maximum school class sizes.
- Political: National politicians can seek to influence local decision-making through direct intervention or through the media. This was a concern raised by interviewees in Denmark, for example. In addition, political representation at the local level is generally organised along national political party lines. This risks that national interests and concerns of political parties dominate at a local level. Recent decentralisation reforms in Uruguay seek to counter this by allowing voters to separate local

preferences, and local and national elections held at different times.

# Citizen participation

Internationally, there has been a marked increase in initiatives to increase citizen participation over the past decade or two. Much, but far from all, of this development has been focused on 'one-off' or topic-specific citizen participation. This review focuses on the means and methods that enable systematic participation of citizens in local decision-making. The culture of citizen participation appears to vary significantly across case studies. In Denmark, for example, civic participation is the norm. In Uruguay, greater local political participation is being encouraged as part of decentralisation reforms, but it varies between local areas.

In a number of case studies, formal structures are in place to represent citizen voices at a local level. For example, there are neighbourhood councils in urban areas in Uruguay and Community and Local Boards in New Zealand. They are very similar in form and function to community councils in Scotland. The common picture is that these councils are not as representative of local populations as they could be, have limited responsibilities and lack any real influence on local governance.

In most case studies, there are fora that exist to represent the views of service user groups (e.g. social/health care, housing tenants). Much of this participation is statutorily required, and in other areas is discretionary. But most of them are non-binding: there is no legal requirement for local governance structures to act on citizens' views.

There are some notable innovations in forms of participation that allow for greater influence of citizens, and support deliberation and problem solving. But it appears this still has limited impact on decision-makers. Citizen initiated, binding referenda at the

local level in Germany illustrates one way for local citizens to influence decision-making in their locality. Many of the case studies have made use of participatory budgeting approaches to varying levels of success. It is unclear the extent to which participatory budgeting provides citizens with systematic influence over decisions which could address the biggest challenges, such as long-standing inequalities.

### Conclusions

The final section of the full report reflects on what can be learned from the case studies as a whole, in the context of the Local Governance Review. All the case studies rank highly on international measures as well-functioning democracies, but the systems of local governance that support these democracies differ greatly. An 'ideal type' of local governance is not evident. The review highlights the importance of thinking about local governance as a dynamic system, not a set of static governance structures. It encourages attention is paid not just to the size and design of structures but also to the relationships between them: vertical relationships between central and local governance, and horizontal relationships, such as between municipalities. It also highlights whether and how citizens and communities are supported to participate regularly and routinely in that system.

Across the case studies, local governance systems experience central government scrutiny, influence, constraint or direction on local decision-making. This means that local governance is not able to apply local decision-making uniformly: there is more discretion and autonomy in some areas than others. And local decision-making can only apply in the areas of local responsibility. Decisions about the specific functions or public services for which responsibility rests locally are foundational for meaningful local governance.

This is the case even in the case studies that are more decentralised, or in which local governance has a constitutional or legal basis. Much of this is built into systems such as through legal regulation or in funding arrangements. These experiences likely reflect an inherent tension which exists in any governance system. There are measures that might help moderate that tension. There are examples in the case studies of partnership agreements of one form or another established between central government and local governance to act as a guiding framework for that relationship. There is a question about how to ensure such frameworks operate effectively and sustainably over time. One explanation for this might be that central government is more likely to be involved in local governance on issues where it is being held closely accountable. Greater awareness of, and transparency about, where accountability lies in any governance system could help make clearer where responsibilities lie.

All the case studies have experienced significant reforms in governance. In Uruguay and Quebec in particular, governance reforms are ongoing. In both, the reforms aim to decentralise power to municipalities and encourage greater local participation. The experiences in these case studies, in particular, may be of most direct relevance to the Local Governance Review. Decentralisation of decision-making locally does not inevitably lead to greater citizen participation. This is illustrated in Quebec and Uruguay where the gradual growth in municipal powers and responsibilities emerging through legal and other reforms has not necessarily led directly to advances in participation. Different reform measures are likely to be required to achieve both.

Across most of the case studies, citizen participation is a live issue. They illustrate a range of opportunities for citizen participation; but most democratic innovation tends to be one-off initiatives, or narrowly applied. For the majority of participation opportunities, local governance can choose to enable citizens to participate, and can choose to act on the results. The picture from the case studies is that this kind of participation has limited influence over local decision-making. Such experiences are disempowering, and in case studies has led to disengagement by communities. Opportunities for nondiscretionary participation, for which the results are binding are more likely to advance levels of engagement. This is likely too with opportunities for citizen initiated participation, which are much rarer.



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