

Local
Governance
Review

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



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Executive summary

This report sets out the findings from an analysis of local governance systems in a range of case studies across the world, and how citizens are able to participate in local governance.

The work described in this report was undertaken to contribute evidence and analysis to help inform the Local Governance Review (LGR). The LGR is being undertaken by the Scottish Government in partnership with the Convention of Scottish Local Authorities (COSLA), and working closely with the community sector in Scotland. The issues of concern for the LGR have been considered by a number of 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

This review looks at case studies of local governance systems in Europe, North and South America and Australasia. It takes a mostly qualitative approach to develop a deeper knowledge and a 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 or diverge. 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 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, telephone interviews were conducted with a range of international experts who could offer an informed assessment of a case study. This included academic and other active researchers who focus on local governance/citizen participation, and others who work in local governance. A list of interviewees is at [Annex B](#) of the report. 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 report. In each profile, the following themes are explored:

- Historical development of governance
- Key reforms in local governance
- Current structure and function of local governance
- Financial arrangements in local governance
- Local democracy and politics

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. In Scotland and England the smallest units of local governance are described as local authorities, in New Zealand as territorial authorities, and in the other case studies as municipalities. Amalgamations were repeated in some case studies at the regional level as well, such as in Denmark. In the main, this tends 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. However, the subsequent 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 below which 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 fewer 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 in order 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 their 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 capable of delivering the public services those citizens require, and that 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 can exert some influence over, or constraint of, 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, are made 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 decision-making 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 gradually seeking 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 decision-making 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 can vary depending on the policy area; and as a result of forms of legal and financial constraint.

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 local discretion/ autonomy 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 or 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 may mean in practice 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, with 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 are 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. However, it is unclear to what extent participatory budgeting provides citizens with systematic influence over decisions which could address the biggest challenges, such as long-standing inequalities.

Conclusions

This final section 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. Each case study indicates some of the challenges faced by different approaches, and an 'ideal type' of local governance is not evident.

This review highlights the importance of thinking about local governance as a dynamic system, not a set of static governance structures. This encourages attention not just to the size and design of structures but also to the relationships between them, vertically between central and local governance, and horizontally (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 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 nationally, or which are political priorities and commitments endorsed through national elections. 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 have led to disengagement by communities. Opportunities for participation that are not at the discretion of governance bodies, and 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.

1. Introduction

This report sets out the findings of an international review which analyses the local governance systems in a diverse range of case studies from around the world, and looks at the ways in which citizens are able to participate in those local governance systems.

This first section provides some explanatory background and context to the review; sets out the aim of the review; and describes how the review was undertaken: how case studies were selected; and the case study approach that was applied.

Background

The work described in this report was undertaken to contribute evidence and analysis that would help inform the Local Governance Review (LGR), established to meet government commitments set out in successive Programmes for Government.

The LGR was launched in December 2017 and is being undertaken by the Scottish Government in partnership with the Convention of Scottish Local Authorities (COSLA), and working closely with the community sector in Scotland. The LGR is concerned with governance arrangements in Scotland and the decentralisation of power and decision-making. It is considering how powers, responsibilities and resources are shared across national and local spheres of government, and with communities. The review is being taken forward through three inter-connected streams of work looking at community, functional and fiscal empowerment.

The Local Governance Review follows earlier work by the Scottish Government focused on community empowerment. The [Community Empowerment \(Scotland\) Act 2015](#), made changes to powers and responsibilities relevant to community planning, communities' right to buy land and take ownership of public assets, and participation of communities in local service delivery through the specific use of participation requests. Alongside the implementation of the legislation, Scottish Government and COSLA have worked together with the community sector to establish and build the application of [participatory budgeting](#) approaches in Scotland.

The issues of concern for the Local Governance Review have been the subject of repeated appraisal over the last twenty years by a number of commissions and independent reports, including:

- Report of the McIntosh Commission, 1999
- [The Silent Crisis: Failure and Revival in Local Democracy in Scotland](#), 2012, a report for the Jimmy Reid Foundation
- Report of the COSLA-backed [Commission on Strengthening Local Democracy](#), 2014
- [Renewing Local Democracy in Scotland](#), 2016, a report by Andy Wightman, MSP

The issues that have been commonly set out in these reports include:

- 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, and
- the quality of citizen participation.

The reports and commissions also often draw unfavourable international comparisons between Scotland and other countries, particularly our neighbours in Europe, based on quantitative measures such as the average geographic size of local authorities and the size of the population they serve, the number of local authorities, and the ratio of elected councillors to local electorate.

The aim of the international review

This review is international in scope; it draws on examples not just from Europe but also from North and South America and Australasia. It takes a predominantly qualitative approach to produce in-depth case studies which offer a rich profile of local governance in each instance. It looks not simply at governance structures but at building an understanding of local governance as a system, recognising that the operation of governance involves inter-connections and dependencies vertically between levels of government and horizontally between similar local governance structures. And the review looks also at participative democracy; whether and how citizens can participate in local governance: the means and mechanisms available to them 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 and challenges and patterns in the ways in which systems are designed and function, and where systems differ or diverge. Profiles of each case study describe the system of democratic and public service governance, including the different spheres of government and their functions, and mechanisms for public participation and offer an appraisal of each country's system of governance. The results of this review complement and add to the picture provided by the reports listed in the previous section.

The review does not identify an 'ideal type' of local governance that can be simply transferred and applied to Scotland. Instead, the review contributes to a deeper knowledge and a richer understanding of different local governance systems. In that way, it aims to act as resource for learning and reflection that can inform ongoing discussions about governance and democracy in Scotland.

It is difficult to capture the complexities of governance in a simple definition. The literature on governance proposes several definitions, but most rest on three dimensions: power/authority, decision-making and accountability. The Institute of Governance working definition of governance reflects these dimensions: governance determines who has power, who makes decisions, how other players make their voice heard and how account is rendered.¹

1 What is Governance? | Institute on Governance (iog.ca)

How the review was undertaken

This section describes how the case studies were selected and the approach taken to the review.

The review was supported by a Research Advisory Group (RAG). The membership of the RAG comprised representatives from COSLA, Development Trusts Association Scotland (DTAS), Scottish Community Development Centre (SCDC), Scottish Community Alliance (SCA), Glasgow Disability Alliance (GDA), Scottish Government Analytical Services, Dr Oliver Escobar from the University of Edinburgh and Dr Sarah Skerratt then at Scotland's Rural College.

Selection of case studies

The selection of the case studies was guided by the following set of criteria, agreed with the RAG:

- The case studies reflect a diverse range of countries/territories across the world, recognised as democratic systems
- The case studies include examples from across the range of four identified 'state traditions'²
- The selection of case studies is informed by data on the quality of governance, democracy and levels of inequality, measured across a range of international indices.

Data on the quality of governance, democracy and levels of inequality was drawn from the following international indices:

- [Global State of Democracy Indices](#)
- [Economist Intelligence Unit Democracy Index](#)
- [World Governance Indicators](#)
- [Corruption Perceptions Index](#): measures perceived levels of public sector corruption in 180 countries/territories around the world.
- [Gini Index](#)

More information about the international indices is set out in [Annex A](#). Based on an analysis of the data and suggestions from RAG members, a shortlist of 14 potential case studies was identified. There was research capacity available to review seven case studies. Using the criteria and the data analysis, and in consultation with the RAG, the following case studies were identified as scoring highly across the measures for inclusion in the review:

- [Denmark](#), [Germany](#), [New Zealand](#), [Quebec](#), [Uruguay](#); and [England](#) selected as the most similar case to [Scotland](#). An analysis of Scotland provides a foundation for comparison.

Summary data on the specific measures in each index for the selected case studies is set out in Annex A.

2 A typology of political systems has identified four state traditions that originate in Europe: Anglo-Saxon, Germanic, French and Scandinavian. The traditions reflect differences along a number of features: whether a basis for the 'state' exists; the relationship between the state and society; the form of political organisation; the approach to policy development; the form of decentralisation; and the dominant approach to public administration. For more details see Loughlin, J. and B. G. Peters (1997). 'State traditions, administrative reform and regionalization', in Keating, M. and J. Loughlin (eds.), *The Political Economy of Regionalism*. London: Routledge, pp. 41–62.

Method of case-study review

This was a desk-based review drawing on published reports and other information online. It drew on a range of data: comparative information about countries worldwide; academic articles and books on local governance and international comparisons; specific data and information including qualitative sources such as Participedia, which is a recognised international database of participatory activity.

In addition, a range of international contacts was identified who could offer an informed assessment of the local governance system in a particular case study. Telephone interviews were conducted with these contacts between March and May 2019; most on a one to one basis, and a couple as paired interviews. Interviewees were also generous in sharing further information that contributed to the review. The interviewees included academics and others active in research about local governance and/ or citizen participation, and practitioners working in some of the local governance systems. A list of interviewees is at Annex B.

Using the desk-based review and the interviews, a profile of each case study was produced. The profiles aim to provide a rich qualitative picture of the governance systems that covered the following themes:

- Historical development of governance
- Key reforms in local governance
- Current structure and function of local governance
- Financial arrangements in local governance
- Local democracy and politics
- Citizen participation in local governance

The case studies are at [Annex C](#). Draft versions of completed profiles were shared with interviewees for review in October 2020, and a draft version of the full report shared in December 2020.

Additional note

The completion of this report was delayed following the onset of COVID-19 and the pause in the Local Governance Review over the early months of the Scottish Government's response to the pandemic.

2. Key themes from case studies

This section considers what we can learn from looking across the case study profiles (Annex C). Table 1 below provides summary information for the case studies, across the following themes:

- Historical development of governance
- Key reforms in local governance
- Current structure and function of local governance
- Financial arrangements in local governance
- Local democracy and politics
- Citizen participation in local governance
- The relationship between national and local governance

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: 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
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.

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

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’.

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
NZ	4.9 million	Local governance largely unchanged from 19th century until 1989 reforms.	Municipal amalgamation and rationalisation.	<p>Two levels: regional councils and territorial authorities (rural district and city councils).</p> <p>No significant role in welfare services or health.</p> <p>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.</p> <p>Standardised responsibilities for territorial authorities including for roads, water and refuse, cultural and leisure services, local economic development.</p>	<p>No government block grant.</p> <p>Majority of income from local property tax.</p> <p>Also local fees and services.</p>	Territorial authorities led by directly elected mayors, but with no executive powers.	<p>Primary form of participation through local Community Boards, primarily advisory role.</p> <p>Maori communities involved in co-governance over significant natural resources.</p>

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
QBC	8.5 million	Mid 19th century structures broadly unchanged until reforms begin from 1960s.	<p>From 1960s, amalgamated municipalities. In 2000s, a focus on urban amalgamation and new layer of metropolitan governance.</p> <p>Recent reform to increase municipal powers in planning, housing and development.</p>	<p>Three levels: administrative regions, regional county municipalities and municipalities</p> <p>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.</p> <p>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.</p>	<p>Majority of municipal income from local property and other taxes, and services.</p> <p>Minority of income from provincial government grant.</p>	<p>Municipalities led by elected mayor, with some limited executive power.</p> <p>There is a large number of registered municipal political parties which are not officially linked or integrated with provincial parties.</p>	<p>Elected neighbourhood councils in urban areas providing views on local services/issues.</p> <p>Further devolution to Inuit local government in recognition of right to self-government.</p>

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
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.	<p>Single level of 32 unitary authorities.</p> <p>Large variation in local authority population (the smallest at just over 20,000 residents) and geographic size. The majority serve over 100,000 people.</p> <p>Standardisation of functional responsibilities including education, social care, culture and leisure services.</p>	<p>Over half of income from government grant.</p> <p>Local income from business tax and property tax, each around a fifth.</p>	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.	<p>Local elected community councils to give community views, specifically on planning and development. Concerns about representativeness and lack of influence.</p> <p>Growth in use of Participatory Budgeting for community decisions on allocation of relatively small local budgets.</p> <p>Infrequent use of local advisory referenda.</p>

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
UGY	3.5 million	<p>Early 20th century reform programme established constitutional foundations of democracy, in a two-party state.</p> <p>Military dictatorship 1973-1984.</p> <p>Post 1984, diversification of political parties.</p> <p>Municipalities formalised in 2010, decentralisation ongoing.</p>	<p>From 1990s, gradual constitutional and legal reform decentralising power to locally elected municipalities, and formalising citizen participation.</p>	<p>Two levels: departments and municipalities. There is an additional layer of sub-municipal governance in the capital city Montevideo.</p> <p>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.</p> <p>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.</p>	<p>Majority of municipal income is direct from central government, the rest from budget allocations from departments.</p>	<p>Directly elected governors lead departments.</p> <p>Municipalities led by elected mayor, as member of municipal <i>Junta</i>, with no executive power.</p> <p>Local politics gradually emerging from historically strong national party direction, and influence of departmental governors.</p>	<p>Formal direct democracy a well-established tradition at national level. All constitutional reform subject to referenda and citizens can propose popular initiatives.</p> <p>At municipal level, the practice of citizen participation still relatively immature as part of process of decentralisation.</p>

Historical development of governance

Understanding the history and development of governance in each case study helps to show how significant that has been in shaping the governance systems over time and what is now in place. This historical influence can begin with the very origins of the nation state: how, and what, democratic structures or institutions are put in place; whether and how institutions, responsibilities and relationships are defined in law (or in the specific form of a constitution) or more through practice and convention; the relationship between, and the respective roles given to national and local government; the culture and tradition of how citizens participate in governance and how that affects expectations, and the concrete methods that enable them to take part beyond the ballot box.

In a number of the 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 where major reforms were undertaken in the 1960s, 1970s, and 1980s respectively. Although the timing of these changes are similar, the historical context in each country differs significantly. For example, governance in Germany is shaped by its formation as a state in the 19th century, the establishment of a federal constitution and creation of the area-state (*Land*) structure at the end of the second world war, and the unification of western and eastern Germany in 1990. 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.

Quebec and Uruguay are examples that illustrate the predominance of national level considerations on the development of governance over most of the 20th

century: in Quebec, this is the concern with independence from Canada; and in Uruguay, the predominance of a highly centralist state, before the beginnings of gradual decentralisation in the 21st century.

The governance systems in place today reflect a particular history and tradition that has shaped their development, and informed decisions taken about how they should evolve and adapt over time. This can be described as 'path dependency': that the options and thinking about possibilities for governance reform are at least influenced, and perhaps somewhat constrained, by current and historic governance arrangements.

Key reforms in local governance

There is an identifiable pattern in the key reforms of local governance across the case studies, largely initiated in the second half of the 20th century. These reforms tend to focus on amalgamating municipalities (and in some cases, also the higher regional level structure) to make fewer and larger units. In the main, this tends to be driven by considerations of efficiency in the delivery of services by municipalities. In Denmark, a central element of its reforms was creating a municipal structure of a scale capable of delivering the country's welfare system.

Scotland followed a similar trajectory with reforms in the 1970s, but exceptionally among the case studies, the reforms of 1996 created a single level of local governance which remains in place.

Reforms of local governance in Uruguay are a notable exception to this picture of municipal amalgamation across the case studies. Uruguay's 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 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. As an illustration, this change in local governance can be seen in the capital cities of New Zealand and Uruguay. Auckland has more than a third of New Zealand's population and a similar proportion of the national economy. In 2010, eight local authorities were combined into a unitary council for the city. Montevideo in Uruguay also has around a third of the country's population. It has eight very large municipalities of 150,000-200,000 population; but there is also an additional level of governance below them which is not found in the rest of the country, 18 zonal community centres.

Current structure and function of local governance

At each level of 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 across each individual country. Multi-level local governance arrangements operate in all the case studies except Scotland.³

In England, however, there is a varied and complex structure overall, that differs across the country. Some places have a unitary authority, and in others a two-level arrangement of county and district councils. There are also regional level structures in some parts (combined authorities), and sub-municipal structures in some parts (parish councils cover about a third, in mainly rural areas).

The size of geography, and the population served at each level can vary quite significantly within any single case study. For example, there is very wide variation in the size of municipality in Germany. The population served by municipalities in Quebec is from less than 2000 to more than 100,000 people; although most of them serve fewer than 10,000 people. Territorial and unitary authorities in New Zealand serve from 1,415,550 people (in Auckland) to 600. The average population for territorial authorities is a little above 60,000 but this is skewed by several very large councils. The median population for territorial authorities is around 30,000. Denmark is the exception in establishing arrangements that are closest to a 'one size fits all' standardised approach to local governance, where municipalities serve a population of 55,000 on average. The majority of local authorities in Scotland serve at least 100,000 people; they are much larger than most municipalities in the other case studies.

It is common to find that these levels are often combined into a single institution of governance in bigger cities, and are perhaps the most obvious sign of a more general pattern of differences in governance between rural and urban areas, common in all case studies.

³ Below the single level of local authorities in Scotland, there are community councils which have a legislative footing. However, they do not possess the authority or decision-making responsibility equivalent to the local governance structures described across the case studies. They are considered further under citizen participation.

It is striking that across many case studies, a range of arrangements are also in place in and around municipalities. We see the creation of what might be described as ‘intermediary organisations’ rooted in the democratic structures and processes that operate above and below the municipal level. For example in Germany, large municipalities have institutions at a level below them (called sub-municipal governance) so as to be closer to local communities. And smaller municipalities in Germany often enter into cooperative arrangements through more or less formalised groupings or institutions to deliver local services, particularly those of a more specialised nature or which could benefit from economies of scale. In Quebec, there are similar cooperative arrangements between municipalities, but established more formally. Responsibilities are shared across what are called municipal ‘agglomerations’ and overseen by a specific agglomeration council made up of select elected councillors from the cooperating municipalities.

Overall then, 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 as a legitimate means to enable creative responses to changing circumstances across often diverse geographies. A dynamic approach to decision-making plays an important, if less well understood, part of democracy.

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 (both in terms of staff and budget) that allow them to be resilient and sustainable. The case studies looked at have taken varied routes. For example, Germany has been through reforms where top-down mergers were largely forced

on small municipalities by area-states (*Länder*) to create larger institutions. This was a highly controversial move, and was contested by municipalities (largely unsuccessfully) through constitutional courts. Interviewees reflected that similar such moves were highly unlikely currently in Germany, but that the issue of cooperation between smaller municipalities to deliver services remained on the table. Notwithstanding these amalgamations, there is still a large degree of variation in size of municipality across – and also within - *Länder*. Some tend to have larger municipalities while others – the eastern *Länder* particularly – have smaller municipalities.

In contrast, the reforms in Denmark in 2007 mean there is a broadly consistent size of municipality, which are able to deliver the significant welfare responsibilities that municipalities now hold.

Functional responsibilities

Across the case studies, there is a lot of variation in which institutions are responsible for decision-making about different public services and how that is done. For example, the welfare state is delivered by local government 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.

A less clear contrast is evident in other case studies. In addition to the formal levels of local governance, responsibilities are also held by a range of intermediary organisations which can exist both above and below municipalities, and through a range of cooperative arrangements between municipalities. Some interviewees reflected on this complex landscape and its impact on accountability to local communities, particularly where traditionally the local ‘town hall’ had been regarded as the single site of local accountability and responsibility.

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, or energy.

Major differences also emerged: for example, in other case studies public utilities tend to remain the responsibility of municipalities. This is no longer the case in Scotland and England. Outsourcing of public service delivery by municipalities in other case studies is also a common feature. There is some notable use of civic and voluntary organisations (particularly national, and sector specific e.g. Red Cross). However, private sector outsourcing continues to be more contentious politically and with the public across at least some of the case studies. There were examples in Germany where legally-binding citizen-initiated referenda had reversed decisions to privatise certain local services.

Financial arrangements in local governance

There is a great deal of variety in the financial arrangements for local governance across the case studies. The majority of municipal income in Germany and England is from some form of central government block grant. These grants are over half of councils' income in Scotland, but only about a quarter of total income for municipalities in Denmark and a minority of income in Quebec. Municipalities in New Zealand receive no government block grant.

Sources of local income also vary. In Denmark, municipalities take most of their income from local taxation; primarily local income tax but also property and business taxes. This is the only case study with local income tax revenue. In Quebec, the majority of revenue comes from local property and

other taxes. The majority of income for New Zealand's local territorial authorities comes from 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. At the higher level of local governance, departments have some ability to raise taxes but municipalities have no independent source of local income. They rely on central government and department funding which constrains their local financial autonomy.

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, but do have some discretion over the rates at which that tax is collected. In Denmark, a 2012/13 reform sought to ensure that the aggregated level of local taxation at a national level should remain the same. This means municipalities can only raise their rates of taxation if another municipality lowers their rates equally. Central government also does not allow municipalities to borrow. In England and Scotland, the primary source of income for local authorities is council tax, rates for which are capped centrally and were frozen for 10 years in Scotland until very recently. Parish councils in England are notable in having decision-making power to raise revenue through a local 'precept' which must be collected by the higher level council or authority.

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. For example, in Germany income tax is collected by the federal government and then distributed according to a scheme where a municipality gets a percentage of the income tax collected in its territory. This can create competition for higher income citizens who contribute more to the tax share. There is a fiscal equalisation scheme to try and re-balance this inequality of income but interviewees felt this was only partially successful. In Uruguay, national government funding to municipalities involves criteria aimed at allocating proportionately more money to municipalities with higher levels of need.

Local democracy and politics

Local politics in the case studies tends to be dominated by councillors who are members of national political parties. This poses the risk that national political issues and interests predominate over local ones. There is some variation from this general picture 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. Quebec is notable for having a large number of registered municipal parties that are not officially linked to parties operating at the provincial level. Reforms in Uruguay over the last 20 years or so are explicitly seeking to enable and encourage local politics to grow in ways that re distinct from the national agenda that has predominated in the past.

Some version of a local Mayor in municipalities is present in most of the case studies, as a part of the democratic landscape. But the role and position of mayor, and how they are selected can vary significantly:

- how they are elected (directly, by the public; or by fellow councillors)
- their degree of influence or power (do they lead the executive, or just at the political level)
- the degree to which responsibilities are held by the office of mayor specifically.⁴

For example, Germany and New Zealand both have directly elected municipal mayors; the mayor in Germany has decision-making powers, but the mayor has none in New Zealand. The following describes a typology of different forms of mayor (from Mouritzen and Svava, 2002: 55-56):

- The *strong-mayor form*: The elected mayor controls the majority of the city council and is legally in charge of all executive functions.
- The *committee-leader form*: One person is clearly “the political leader” of the municipality – with or without the title of mayor. They may or may not control the council. Executive powers are shared. The political leader may have responsibility for some executive functions but others will rest with bodies, that is, standing committees composed of elected politicians
- The *collective form*: The decision centre is one collegiate body, the executive committee that is responsible for all executive functions. The executive committee consists of locally elected politicians and the mayor, who presides.

4 For example, see Heinelt, H., Magnier, A., Cabria, H., Reynaert, M. (eds.), (2018) *Political Leadership and Changing Local Democracy: the European Mayor*. Palgrave Macmillan; and, Sweeting, D. (ed.), (2017) *Directly Elected Mayors in Urban Governance: Impact and Practice*. Policy Press.

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- The *council-manager form*: All executive functions are in the hands of a professional administrator — the city manager — who is appointed by the city council, and who has general authority over policy but is restricted from involvement in administrative matters. The council is headed by a mayor with formal presiding and ceremonial functions only.

Looking at the case studies, the strong mayor form is in place in Germany; Denmark exhibits the collective form, and Quebec the committee-leader form. Scotland alone among the case studies has no model of local mayor. In England, mayors have been established in some places but not universally, and have responsibilities at a level of governance over larger territories than would be typical in the other case studies: in large cities (London, Liverpool) or, a more recent development, in wider metropolitan areas (such as Manchester).

The relationship between national and local governance

For some of the cases studied, a constitution provides a legal foundation for the position and role of local governance and its relationship with central government, namely Germany, Denmark, Uruguay. Academic commentators reflect that the strength of constitutional protections for local governance have perhaps been overstated.⁵ For others, like Scotland, England and New Zealand, a range of legislation together describes the role and responsibility of local government.

In case studies that have a constitutionally protected position for local governance, it appears that local autonomy is still not experienced as an absolute but rather 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 that there are a range of ways in which central government is able to exercise direction and control which limits the decision-making of local governance. This exists even in apparently decentralised systems that suggest significant local autonomy. At root, these ways appear to stem from the power central government derives from its money, its ability to legislate and its authority. The following describe the range of ways in which central government can exert power and control over local governance.

Financial controls

Financial controls can be applied directly by central government in terms of the amount of funding it provides to local governance, and in conditions applied to its spend. There can also be more indirect constraint placed by central government in terms of the rules that it sets that govern local sources of income, for example by establishing caps on the rates of local taxes.

⁵ The following illustrate this view. Erlingson, G. & Odalen, J. 2013. How should local government be organised? Reflections from a Swedish perspective. *Local Government Studies* 39 (1), 22-46. Kerley, R., Liddle, J. and Dunning, P. T. (eds). 2020. *The Routledge Handbook of International Local Government*. Routledge.

Process controls

Central government can set out requirements for the way things are done by local government.

Regulation

Legislation is a common route for central governments to put in place statutory requirements that restrict and constrain discretion locally in the delivery of public services.

Uniform service standards

Central government can set rights, obligations, standards or targets in relation to public services that restrict the discretion and opportunity for variation that can be applied locally. For example, establishing rights to childcare, setting maximum school class sizes, that must be met locally.

Political

National politicians can seek to influence local decision-making through direct intervention or through the media. This was a complaint we heard from 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 can dominate at a local level over local interests and concerns, particularly where these may be in conflict.⁶

Recent decentralisation reforms in Uruguay have explicitly tried to separate the national agenda from local elections by allowing voters to differentiate local preferences, and holding local and national elections at different times. This has been an important change noted by interviewees, but the integration of national political parties at a local level remains.

From the interviews, there appeared to be a general experience of municipalities across case studies being passed down additional functions (described by some interviewees as ‘tasks’), duties or responsibilities by central government. Such moves prompted debates about whether sufficient funding from central government followed that passing down of responsibilities. That dynamic was recognised in some systems; for example, in Germany there is a principle of specific funding being ‘connected’ to tasks or functions. So that if responsibility for a task or function is passed down from central government to local governance then the associated funding should follow.

Citizen participation in local governance

Internationally, there has been a marked increase in activity and initiatives to increase citizen participation over the past decade or so. As an example, the focus on methods that enable a representative cross-section of citizens to take part in dialogue about issues of concern has been described as a ‘deliberative wave’.⁷ The increasing range of democratic innovations internationally has been recently documented.⁸ Much, but far from all, of this development has been focused on more ‘ad hoc’, ‘one-off’ or topic-specific citizen participation.

6 Bertrana, X., Egner, B. and Heinelt H., (2017). *Policy Making at the Second Tier of Local Government in Europe*. Oxfordshire: Routledge.

7 OECD (2020). *Innovative Citizen Participation and New Democratic Institutions: Catching the Deliberative Wave*, OECD Publishing, Paris, <https://doi.org/10.1787/339306da-en>.

8 Elstub, S. and Escobar, O. (2019). *Handbook of Democratic Innovation and Governance*. Cheltenham: Edward Elgar Publishing Ltd.

In the case study profiles, a very specific focus was taken on the means and methods that enable the *systematic* participation of citizens in local governance and decision-making. Many interviewees drew a distinction between citizen civic participation – in local civic, cultural and sports organisations – and citizen political participation – more directly aimed at influencing local governance. The culture of citizen participation appears to vary significantly across case studies. In Denmark, for example, civic participation is the norm; the growth of local political participation in Uruguay, which is being encouraged as part of the move to increasing decentralisation, was described by interviewees as varying 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 across these three case studies is that these community councils are not as representative of local populations as they could be, and are not fully inclusive, have limited scope of responsibility and lack any real influence on local governance.

In most case studies, there are other fora that exist to represent the views of specific service user groups (e.g. social or health care, housing tenants). Much of this participation is statutorily required, and in other areas is at the discretion of local municipalities. But as with the community councils, 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 and structures that allow for greater influence of citizens' 'voice', and which support deliberation and problem solving. But it appears there is still an issue of limited impact on decision-makers. Citizen-initiated, binding referenda at the local level in Germany is one example that suggests a way for local citizens to directly and indirectly influence decision-making in their locality, with specific examples described by interviewees. Many of the case studies have made use of participatory budgeting approaches with varying levels of success. For example, citizen interest in its use in Montevideo, Uruguay, has decreased more recently; is at a relatively low-level in England; but is growing in Scotland. However, it is unclear to what extent participatory budgeting provides citizens with systematic influence over decisions which could address the biggest challenges, such as reducing long-standing inequalities.

There are some interesting examples of co-governance at a municipal level: in one municipality in Denmark, between citizens and elected councillors; in relation to land and water resources with Maori communities in New Zealand; and the Inuit in Quebec. But it is notable that there are no examples of institutions of 'civic governance' that could be said truly to delegate power over decisions directly to communities.

3. Conclusions

This final section reflects on what can be learned from the case studies as a whole. In doing so, it considers this in the context of the Local Governance Review's ambitions for decentralisation of power and decision-making which is being taken forward through a focus on community, functional and fiscal empowerment.

It is perhaps valuable to reflect again that all the case studies rank highly on international measures as well-functioning democracies. Nonetheless, the systems of local governance that support these democracies differ greatly, and they are all subject to certain challenges and tensions. So it is not evident that there is an 'ideal type' of local governance, a model that can be identified and easily adopted. Still, they are a source of learning that can be reflected on to inform what happens in Scotland.

The findings from the case studies highlight the importance of thinking systemically about governance. Doing so encourages attention not just to governance structures, their size and the functions they hold, but also to the relationships between those structures. These relationships exist both vertically (between central and local governance), and horizontally (between local governance structures such as municipalities), and the quality, character and purpose of those relationships differ. Equally, thinking systemically encourages recognition that governance is not static but dynamic. The perspective also helps to highlight 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 is the case even in the case studies that look highly decentralised, or in which local governance has a constitutional or legal basis. Much of this is built into the systems of governance, for example through legal regulation or in funding arrangements. Central government involvement often focuses more on specific policy areas, particularly those that were are highly politicised or expensive. For example, the size and importance of Danish local governance leads to quite a degree of scrutiny for central government.

It might be reasonable to conclude that these experiences 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. Regular monitoring and scrutiny of the central/local dynamic might help to identify any risk of an emerging pattern of centralisation in the longer term.

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, be that by opposition political parties, the public or the media. This probably reflects the reality that central government is held ultimately accountable. Nonetheless, greater awareness of, and transparency about, where accountability lies in any governance system could help make clearer where responsibilities lie.

This does not mean that local governance in the case studies does not have decision-making power and authority; just that it is not able to apply it uniformly: there is more discretion and autonomy in some areas than others. And of course, any level of local decision-making authority 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.

All the case studies have experienced significant reforms in governance. For some, this occurred some decades ago with no further significant change anticipated soon. In others, such as 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 power and decision-making more locally is not the same as, and does not inevitably lead to, greater citizen participation. This is illustrated by the experience of the decentralisation reforms in Quebec and Uruguay. 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. The findings of the case studies illustrate the range of opportunities for citizen participation; but most of the examples of democratic innovation tend to be one-off initiatives, or are narrowly applied. The majority of participation opportunities remain discretionary, advisory, and are organised and initiated by local governance. That is, 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 discretionary and advisory participation has limited influence over local decision-making. Such experiences are disempowering, and the case studies suggest that this can lead to disenchantment and disengagement by communities. Opportunities for participation that are non-discretionary and for which the results are binding – where the impacts of participation can be seen – are more likely to advance levels of engagement. This holds also for opportunities for citizen-initiated participation; there were examples of this in Germany, for example, but overall they are much rarer.

ANNEX A: International indices used in case study selection

This table gives a fuller description of the international indices used as part of the selection of case studies for inclusion in the review.

International Indices		
Category	Index	Description
Democracy	Global State of Democracy Indices	Produced by International Institute for Democracy and Electoral Assistance (IDEA). Democracy defined as popular control over public decision-making and decision-makers, and equality of respect and voice between citizens in the exercise of that control. Countries rated on five attributes: representative government, fundamental rights, checks on government, impartial administration and participatory engagement and 16 sub-attributes. Rating is between 0-1.
	Economist Intelligence Unit Democracy Index 2019	Countries are rated on five attributes: electoral process and pluralism, civil liberties, the functioning of government, political participation and political culture. Based on these ratings, each country is given an overall score. Countries are ranked by that overall score and categorised as 'full democracies', 'flawed', 'hybrid' and 'authoritarian'. The 2019 index classed 22 countries across the world as full democracies.
Governance	World Governance Indicators	Governance defined as "consisting of the traditions and institutions by which authority in a country is exercised". Countries rated on six attributes: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption. Within each attribute, countries are ranked in a percentile.
Corruption	Corruption Perceptions Index 2019	Rates perceptions of public sector corruption according to experts and business people and provides a ranking.
Inequality	Gini Index	Measures the degree of inequality in the distribution of family income in a country. The lower the rating, the lower the inequality; the higher the rating, the higher the inequality. Rating is between 0-100.

The following are summaries of the information gathered from the international indices on the selected case studies.

Denmark (population 5.8 million)	
GSoD⁹	Rated in the top three countries for four attributes: participatory engagement/civil society participation; fundamental rights; impartial administration; checks on government
EIU	Ranked 7th equal (with Canada) internationally as a full democracy, 2019
WGI	Voice and accountability – 97th percentile (2017) Government effectiveness – 96th percentile (2017)
CPI	Equal least corrupt country worldwide in 2019 (with New Zealand)
Gini¹⁰	Low inequality – score of 29 in 2016 (estimated)
State tradition	Scandinavian

Germany (population 82.2 million)	
GSoD	Rated in top four countries in three attributes – impartial administration, fundamental rights, and participatory engagement/civil society participation
EIU	Ranked 13th internationally as a full democracy, 2019
WGI	Voice and accountability – 96th percentile (2017) Government effectiveness – 94th percentile (2017)
CPI	9th equal least corrupt country worldwide in 2019
Gini	Low inequality – score of 27 in 2006
State tradition	Germanic

New Zealand (population 4.8 million)	
GSoD	Rated as the 5th top country for PE/direct democracy
EIU	Ranked 4th internationally as a full democracy, 2019
WGI	Voice and accountability – 99th percentile (2017) Government effectiveness – 95th percentile (2017)
CPI	Equal least corrupt country worldwide in 2019 (with Denmark)
Gini	Medium inequality - score of 36.2 in 1997 (estimated)
State tradition	Anglo

9 GSoD – there is no single index for the attribute of participatory engagement (PE); scores are given for each of the PE sub-attributes of: civil society participation, electoral participation, direct democracy, and free local and regional elections.

10 Gini Index : A score below 30 is considered low inequality; over 30 and below 50, medium; above 50, high inequality.

Canada¹¹ (population 37.1 million; Quebec population 8.3 million)

GSoD	Rated as 6th highest country in one attribute - in participatory engagement/free local and regional elections
EIU	Ranked 7th equal (with Denmark) as a full democracy, 2019
WGI	Voice and accountability – 96th percentile (2017) Government effectiveness – 97th percentile (2017)
CPI	Equal 12th least corrupt country (with UK) in 2017
Gini	Medium inequality - score of 32.1 in 2005
State tradition	Quebec – French tradition

Uruguay (population 3.5 million)

GSoD	Rated in top five countries in two attributes – representative government and PE; under PE sub-attributes, the 2nd highest country for direct democracy (after Switzerland) and the 5th highest for electoral representation
EIU	Ranked 15th internationally as a full democracy, 2019
WGI	Voice and accountability – 87th percentile (2017) Government effectiveness – 68th percentile (2017)
CPI	Equal 21st least corrupt country worldwide (with France) in 2019
Gini	Medium inequality – 41.6 in 2014
State tradition	n/a

United Kingdom¹² (UK population: 66.6m)

GSoD	The top 6th country for checks on government
EIU	Ranked 14th internationally as a full democracy, 2019
WGI	Voice and accountability – 93rd percentile 2017 Government effectiveness – 91st percentile 2017
CPI	Equal 12th least corrupt worldwide (with Luxembourg, Canada and Netherlands) 2019
Gini	Medium inequality – 32.4 in 2012
State tradition	Anglo

11 Measures/scores relate to Canada as data for sub-national jurisdictions is not available.

12 Measures/scores relate to the United Kingdom as separate data for Scotland and England is not available.

ANNEX B: International interviewees

Brit Buchhave, Association of Danish Municipalities, Denmark

Professor Bjorn Egner, Darmstadt University, Germany

Enrique Gallicchio, consultant and professor, Universidad Centro Latinoamericano de Economía Humana, Uruguay

Professor Brigitte Geissel, Goethe University, Germany

Ioanna Grotiuz, Regional Coordinator, Montevideo, Uruguay

Andy Johnston, Local Government Information Unit, England

Professor Richard Kerley, Queen Margaret University, Scotland

Professor Ulrik Kjær, University of Southern Denmark

Professor Sabine Kuhlmann, University of Potsdam

Claus Orum Morgensen, Association of Danish Municipalities

Dr Mike Reid, Local Government New Zealand

Morten Ronnenberg, Centre for Good Governance, Denmark

Eva Sorensen, Roskilde University, Denmark

Professor Angelika Vetter, University of Stuttgart

Dr Liz Wedderburn, Ag Research, New Zealand

Professor Jane Wills, Exeter University, England

ANNEX C: Case Studies

DENMARK

Denmark is a constitutional monarchy, a unitary state and a parliamentary democracy. The Danish parliament (the *Folketing*) has 179 MPs from 12 different parties, and elections are every four years as set out in the constitutional act.

The Kingdom of Denmark has two autonomous regions: the Faroe Islands and Greenland, each with its own legislative assembly, flag and official language. Greenland's autonomy was established in 1979, and extended in 2009. The autonomy of the Faroe Islands was established in 1948. The following profile does not include these two autonomous regions.

Historical development

Denmark was originally ruled by an absolutist monarch (1660-1849). In the 1830s the Danish King established a local government system. In urban areas about 80 market towns were given responsibility for local functions; in rural areas, there was a two tier structure of parishes and county councils. This was to some degree locally democratic as all had elected decision-making bodies. But central control was still strong to implement national policies, and key posts were also appointed by the King or undertaken by central government officials: the market town mayor, parish pastor and the county governor.

The constitutional act of 1849 ended absolutist rule and established Denmark as a democracy. The basic features of the Danish governance system remained unchanged until major reforms in 1970.

Key reforms in governance

The major reforms in Denmark occurred in 1970 and 2007. The reforms in 1970 are described as a complete overhaul of the local government system, and by international standards they are considered to be radical in three primary ways.¹³ First, there were significant amalgamations: 1000 parish municipalities and 80 market towns were amalgamated into 275 new municipalities and 25 counties were merged into 14. These changes removed the distinction between rural and urban local government and created a uniform national system of two-tier local government, each tier responsible for specific functions. The only exception was Copenhagen which retained both county and municipal responsibilities. Secondly, the new larger local government institutions were given additional responsibilities and increased autonomy over the areas of welfare they already covered. Thirdly, in financial reforms specific budgets allocated by national government were merged into a single block grant. Alongside local income tax, this was the main source of income for local government.

13 Blom-Hansen, J. and Heeager, A. (2011). 'Denmark: Between Local Democracy and Implementing Agency of the Welfare State' in Hendriks F., Lidström, A., and Loughlin, J. *The Oxford Handbook of Local and Regional Democracy in Europe*. Oxford: Oxford University Press

The 2007 reform was primarily based on the principle of subsidiarity: giving responsibility for functions and public services to the authority as close as possible to the citizens, and reflecting the nature, budgetary, and professional demands of the different responsibilities. This involved creating a new governance landscape and recalibrating how functions were shared within new boundaries. Another principle of the reform was that overlapping of responsibilities should be avoided.

The focus of the reforms were described by interviewees as on creating ‘professional sustainability’ – securing the administrative capacity of municipalities to meet their delivery responsibilities – and achieving economies of scale. Interviewees suggested that the reforms were more technocratic than democratic in character: focused on improving the effectiveness and efficiency of municipalities.

As a result of amalgamations, five regions were created from the counties, and 98 municipalities. The average population size of a municipality increased from 20,000 to 55,000, with much less variation in size between municipalities. The regions lost tax-raising powers and specific functions which were passed either to central government or to municipalities. Healthcare was the most significant function retained at regional level. The result was a much more standardised system of two levels of local governance, with municipalities responsible for the same functions.

Structure and function of local governance

As a result of the 2007 reforms there is a broadly standardised form of two tier local government in Denmark: regions and municipalities. The governance of municipalities includes an elected council and a mayor. The councillors elect a mayor from among their number. Heads of council standing committees are also elected proportionately by councillors. The mayor is the formal head of the administration. The executive is the administration and the council committees.

Municipalities are responsible for basic welfare services: child care, primary education, elderly care; administering welfare benefits: housing benefit, social security, pensions; public utilities: water supply, refuse collection, local roads; culture and recreation: libraries, theatres, sports facilities. Since the 2007 reform, municipalities also took responsibility from the regions for: specialised social services; healthcare prevention; environmental protection; and regional roads. The most important welfare functions are administered at the municipal level and amount to about two thirds of all public expenditure. The Danish welfare state – at least in delivery – is subnational.

The size and importance of Danish local government leads to quite a lot of scrutiny from national government. Interviewees identified this as common in areas of public service that are highly politicised or expensive. In those areas, national politicians look to assert more control over municipalities. As one interview illustrated:

Their [municipalities’] autonomy differs a lot between policy areas, and if they’re heavily politicised areas, they get so detailed, the rules and regulations are so detailed there is not much discretion at the municipal level. In other areas they have a lot of discretion. DN2

In general, Danish local government appears to have quite a large degree of autonomy, in terms of discretion over decision-making, the broad span of responsibility, the size and capacity of its workforce, and financial empowerment. Looked at more closely, the degree of discretion at municipal level varies considerably across a number of dimensions.

Financial arrangements in local governance

Municipalities derive their income from local taxes, central government grants and service fees. The largest source of income is local taxation: primarily from local income tax, but also property and business taxes. Together this is nearly three fifths of total income. About a quarter of income comes from government grants (block grant and matching grant) and a little under a fifth from fees levied for utilities and social services.

There is an annual negotiation between association of local government and central government to reach agreement about grant funding, local expenditure and taxation levels. This is regarded as part of the central government's macro-economic controls, recognising local government's responsibility for a large share of public expenditure. Borrowing is generally forbidden.

A reform introduced in 2012/13 sought to ensure that the aggregated level of local taxation should remain the same. This means municipalities can only raise their rates of taxation if another municipality lowers their rates equally. As one commentary on Denmark notes, 'this fact is a telling illustration of the fine balance between local autonomy and central control and interference'.¹⁴

Citizen participation

Interviewees described a long tradition of active citizenship in Denmark, but distinguished between the common participation of Danes in voluntary sports and civic organisations, and the less common involvement directly in political and public service decision-making. The following extracts from interviews illustrate this:

Danes are in general terms quite happy and quite satisfied with the service that they get from municipalities. DN3

For a typical Dane you don't really see the point in getting involved because you are waiting for the public sector themselves to find out what you need...we don't have this urge to be involved all the time in the decision-making process. DN2

Citizens tend to participate through local voluntary, civic, sports and cultural organisations but not directly in what would be considered 'political' activities. Issues of local community concern tend to be raised with the municipality through these civic routes. Interviewees mentioned some examples of national interest organisations, e.g. elderly care, which have local chapters, and young people involved in the Red Cross.

A range of methods have been used for participation, but there has not been a growth in interest or use of any particular method, as one interviewee reflected:

Municipalities have tried to engage the citizens more... not one single idea has really caught on and has been copied and really is the thing in Denmark at the moment. DN3

14 Blom-Hansen, J. and Heeager, A. (2011). 'Denmark: Between Local Democracy and Implementing Agency of the Welfare State' in Hendriks F., Lidström, A., and Loughlin, J. *The Oxford Handbook of Local and Regional Democracy in Europe*. Oxford: Oxford University Press.

User boards have been established at municipal level to give service users a voice. This is mandatory for some public services such as schools and child care organisations, but optional in others such as libraries and elderly care. Their influence has tended to be limited and so interest in involvement has not grown.

Local referenda have not been a major factor in local government. Advisory referenda can be used by municipalities, but rarely are, although they were used prior to the 2007 municipal amalgamations. Since 2018 there is a provision for legally binding referenda, which has not yet been used, and citizens are not able to initiate them.

An interesting case-study of co-governance at a municipal level has been evaluated.¹⁵ The arrangement has been described as an example of ‘hybrid democracy’, combining representative democracy with deliberative and participatory democracy. The city council of a municipality near Copenhagen established council ‘task committees’ with five politicians and ten citizens as members. The citizens are selected by the councillors according to descriptions of the competencies needed to fulfil the role, and proportionate to each political parties representation on the council. Each committee is asked to discuss and develop proposals to solve specific policy problems identified by the council.

The evaluation reports positive findings on the views of politicians and citizens involved in the committees. Citizen and politician members were quickly able to develop a common level of knowledge about the issues the committee was considering. The work of the committees was deliberative, allowing for shared discussion and debate. There was a reasonable sense of the final proposals being co-produced and co-owned by councillors and citizens. This remains a largely isolated example of such a collaborative form of governance between politicians and citizens locally; it has not been taken up more widely across Denmark.

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¹⁵ Sorensen, E and Torfing, J, 2019, Towards a robust hybrid democracy in Scandinavian municipalities, *Scandinavian Political Studies*, 42(1), pp. 25-49

ENGLAND

England has the largest population of the four nations that make up the United Kingdom (UK). The United Kingdom is a constitutional monarchy and a parliamentary democracy. The United Kingdom has an uncodified constitution, meaning that there is no overarching formal document setting out the powers and limitations of its government. It is, instead, outlined in various laws, as well as rooted in political precedent and parliamentary procedure.

The Parliament of England was the legislature of the Kingdom of England, which existed from the early 14th century until 1707. At this point it united with the Parliament of Scotland to become the Parliament of Great Britain, after the political union of England and Scotland created the Kingdom of Great Britain. There is no specific English parliament currently; decisions that apply to England alone are made in the UK Parliament. There are 650 elected members of the UK Parliament, 533 representing the constituencies of England.

Historical development

These constitutional arrangements emerged in response to Parliament grappling for power with the Crown during the seventeenth century. The power of the executive was further strengthened with the introduction of democratic politics and the extension of the franchise in the nineteenth century. It is challenging to point to a specific moment in English history which can be recognised as defining for its local governance, or to clearly demarcate one period of its evolution from another. In the

absence of a conscious plan to establish and develop this institution, local governance in England has been shaped by incremental change made necessary through changing political landscapes and context.

According to two academic writers on local government systems in Europe, Peter John and Colin Copus, the story of English local government during the twentieth and twenty-first century is one of steady decline, punctured by temporary periods of radical policy shifts designed to revitalise local democracy. They conclude that local government in England remains weak and centrally controlled in nature.

According to John and Copus, there are two defining themes that run through the history of the English system which have had important implications for the evolution of its local government. The first, they suggest, is centralisation while the other is the bounded nature of local autonomy in England. They argue that the importance of ideas of individual liberty, consent, and equality before the law have been very influential in shaping English government institutions. They contend that its emphasis on limited government, in particular, has given rise to ideas of localism and led to the adoption of legislation that created provisions for local self-government in England which reflected local diversity.

The UK, nonetheless, retains a strong central government, underpinned by the doctrine of parliamentary sovereignty. The centre is therefore able, at least in theory, to amend the structure and functions of local government with a simple majority vote in Parliament. As a result, one interviewee commented that power is “handed over temporarily” and that “the ability to act completely autonomously doesn’t really exist” in the English case.

Key reforms in governance

Municipal Corporations Act of 1835; Local Government Acts 1888 and 1894

The Municipal Corporations Act of 1835 was, in many ways, the product of an uncodified local government system. It democratised the closed medieval system of government, and established municipal boroughs across England, governed by elected councils. The Act also enabled the emergence of city-based local government. There was no attempt to introduce uniform arrangements; it merely made it possible for citizens to petition Parliament to create a local council within a specific locality. As a result, only 178 out of the existing 278 administrative units were reformed into municipal boroughs.

The Local Government Act 1888 signalled a recognition of a need for fundamental reform of the previous piecemeal system. It was the first systematic attempt to impose a standardised system of local government in England. The Act established county councils as well as newly created areas for those councils, to be known as administrative counties. There were 59 ‘county boroughs’ created to administer the urban centres of England. Each administrative county and county borough was governed by an elected county or borough council, providing services specifically for its own area. The Act also created a new County of London from the urban areas of London, which was a full statutory county by itself.

The Local Government Act 1894 created a second tier of local government by dividing all administrative counties into either rural or urban districts, allowing more localised administration. The county boroughs were not divided in this way. The municipal boroughs reformed after 1835 were brought into this system as special cases of urban districts. The Act also established civil parishes, separated from ecclesiastical parishes, to carry on some of their responsibilities, others being transferred to the district or county councils. Civil parishes were not a complete third tier of local government, since they were established only for smaller rural settlements, while the older urban parish councils were absorbed into the new urban districts.

The Local Government Act 1972

The Local Government Act of 1972 led to the most uniform and simplified system of local government in England so far. The aim of the Act was to establish a uniform two-tier system across the country. It effectively built a new governance system by abolishing all previous administrative districts, with the exceptions of Greater London and the Isles of Scilly. New counties were created and six new metropolitan counties, modelled on Greater London, to address the problems of administering large conurbations. Each of the new counties had a county council to provide certain county-wide services such as policing, social services and public transport.

The second tier of governance varied between the metropolitan and non-metropolitan counties. The metropolitan counties were divided into boroughs, the non-metropolitan counties into districts. The metropolitan boroughs had greater powers than the districts, sharing some of the county council responsibilities with the metropolitan county councils, and having control of others that districts did not (e.g. education was administered by the non-metropolitan county councils, but by the metropolitan borough councils).

The act also maintained civil parishes in rural areas, but abolished them in large urban areas. Conversely, the Act provided for the creation of parishes across the whole country at some point in the future. Since 1974, several urban areas have applied for and received parish councils. Much of the country remains unparished, since the parish councils are not a necessary part of local government, but exist to give civic identity to smaller settlements.

The new system of local government came into force on 1 April 1974, but in the event the uniformity proved to be short lived.

Local Government Act 2000

The Local Government Act 2000 attempted to streamline and modernise political structures in English local government by introducing a new cabinet system. Alongside a cabinet of between two and 10 councillors, local authorities could introduce a mayoral office, accountable to the electorate, or a council leader, elected by the council. These changes offered English citizens a figurehead around which they could mobilise to affect change in their communities. It also increased political capacity to make a difference to local circumstances and decision-making. As observed by one interviewee, “One of the key dynamics around the mayor is... pulling in more power and money.”

The Act also provided a new ‘power of well-being’ for the best parish councils to improve the development and coordination of support for citizens, community groups, and local authorities, which was subsequently replaced by the powers of general competence introduced by the Localism Act 2011.

Localism Act 2011¹⁶

The Localism Act 2011 makes a number of provisions intended to increase community engagement, which councils must administer. It also introduced powers of general competence and enabled local councils in England to do “anything that individuals generally may do”. Previously, local government could only act within explicit parameters set by Parliament. The Act did not correct the fundamental imbalance of power between the centre and the local level. As observed by one interviewee, a certain nervousness exists amongst local authorities that even if a local authority did establish general competence in a particular place, “The national level could take it away or just override it.”

Structures of local governance

As England doesn’t have its own parliament or assembly, elected councillors lack formal powers to influence the national governance system. The interviewees describe a very top-down system in England but stop short of calling existing institutional arrangements ineffective, stressing the agency of elected leaders and organised civil society. Both highlight the flexibility of the English system as simultaneously a strength and limitation, with important consequences to citizen participation.

Local governance structures in England grew organically in response to addressing local sets of circumstances in a different places. As a result, they are characterised by various complexities and form “a messy kind of system”, as one interviewee puts it. This asymmetry can be considered a strength of the English system, according to one interviewee, as it constitutes a “toolbox” which can offer “a whole load of different solutions”. However, these different layers can also cause confusion amongst citizens. As illustrated by a second interviewee, in some cases an area can have: “a parish, a district, a county council.

16 <https://researchbriefings.files.parliament.uk/documents/SN05687/SN05687.pdf>

It might be in a regional mayoral area and some of those districts might be members of combined authorities.” This can make it difficult to know what governance institution is responsible for what.

In much of England, there are two primary levels – county and district – with responsibility for services split between the two. These are often described in legislation and guidance as ‘principal authorities’. County councils cover an entire county area and provide the majority of the services. Within a county, there are several district councils which cover a smaller area and provide more local services. London, other metropolitan areas and some parts of ‘shire’ England operate under a single-tier council structure. There are five possible types of local authority in England. These are:

1. County councils – cover the whole county and provide 80 per cent of services in these areas, including children’s services and adult social care.
2. District councils – cover a smaller area within a county, providing more local services (such as housing, local planning, waste and leisure but not children’s services or adult social care); can be called district, borough or city council.
3. Unitary authorities – just one level of local government responsible for all local services, can be called a council, a city council or borough council.
4. London boroughs – each of the 32 boroughs is a unitary authority.
5. Metropolitan districts – effectively unitary authorities, the name being a relic from past organisational arrangements. They can be called metropolitan borough or city councils.

There are a total of 343 councils in England:

- Metropolitan districts (36)
- London boroughs (32) plus the City of London
- Unitary authorities (55) plus the Isles of Scilly
- County councils (26)
- District councils (192)¹⁷

Combined authorities

Since the establishment of Greater Manchester in 2011, groups of councils have formed combined authorities in some areas of England. These combined authorities receive additional powers and funding from central government following bespoke “deals” with the government. These authorities are particularly important for transport and economic policy across the regions in which they are based. There are currently nine combined authorities in England, seven of which are led by directly elected mayors: Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, Sheffield City Region, Tees Valley, West Midlands, West of England, West Yorkshire.¹⁸

Parish and town councils

Parish and town councils are the level of local governance closest to the electorate in England. Collectively, they are often referred to as ‘local councils’. Parish councils may call themselves ‘town’, or ‘community’, ‘neighbourhood’, or ‘village’ councils. This is known as the ‘style’ of a council and has no effect on its status or legal powers. The Local Government Act 1972 provides the legal foundation for the existence of today’s parish and town councils and still governs much of their operation.

17 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/791684/List_of_councils_in_England_2019.pdf

18 <https://lgiu.org/local-government-facts-and-figures-england/#section-5>. The final two listed are not led by mayors.

There are some 10,000 parish councils in England. Parish councils cover only some 30% of the population of England: historically they have not existed in urban areas. It is not unusual for elections to parish councils to be uncontested, and for members to be co-opted where the number of candidates is fewer than the number of seats available. No part of England is obliged to have a parish council.

Functional responsibilities

The powers and responsibilities of local government in England are not permanently defined in a codified constitution and are therefore flexible. Academic commentary and the interviewees describe the system as heavily centralised. Some have argued that local governance is primarily used to administer and deliver the policies of central government.

Service delivery

Local government in England is a key deliverer of public services – councils need to provide statutory services including education, social services, public housing, local roads and environmental services. One interviewee commented that national standards are adopted in Westminster to deliver on manifesto commitments, and a standardised approach to service delivery is then applied across England. According to them, this “has major limitations in terms of creativity”.

Commentators observe that local authorities are organised by specialisms and decisions taking is largely the product of bureaucratic arrangements at the unitary authority, county and district levels. In contrast, one interviewee argued that parishes – which constitute the lowest tier of local government – are better able to adopt a place-based approach and circumvent some of the silos that the larger units of governance fall into. As an example, they point to several parishes in Cornwall which have successfully expanded their remit and adopted non-

statutory services. This has been possible, in large part, as a result of the fact that parishes are not subject to the same tax-raising restrictions as the higher tiers of local government.

However, it is important to note these examples take place in a context where the county or unitary authority were unable to continue funding services such as parks, libraries and public toilets. Parish councils’ ability to increase their capacity and be innovative appears to therefore be predicated on the inability of higher tiers of local government to function as intended.

Parish and town councils’ powers are generally equivalent to those of district councils. In practice, most lack the capacity to undertake the provision of public services, and concern themselves with local environmental, community and amenity issues. Some larger town councils have substantial staff teams and may run a number of local facilities. The only power that is available only to parish councils and not to other tiers of government is the power to obtain and supply land for allotments if local demand cannot be met.

Parish councils may use the General Power of Competence provided in Part 1 of the Localism Act 2011. A parish council wishing to use the power must formally resolve that it is an ‘eligible council’. The qualifications for eligibility are that the clerk has completed a course in local administration, and that at least two thirds of councillors have been elected (i.e. not co-opted).

Financial arrangements in local governance

The majority of local authority budget comes from a central government grant but local authorities in England also have a range of regulatory functions. The most significant is the power to raise revenue through council tax, which is capped by central government.¹⁹ The simultaneous central control of local government expenditure and the constraint set on increasing council tax levels significantly limits the fiscal freedom of local authorities, according to academic commentary. There is some capacity to adjust business rates and car park charges, but these revenues are not significant in comparison.

Parish and town councils have a single source of revenue; they may raise a 'precept' on the council tax bills produced by their local billing authority (the unitary authority or district council). They also have some borrowing powers, which in any case must be agreed by central government. Parishes are the only level of local government able to raise revenue and precept without restriction. Council tax-payers cannot refuse to pay it, and the billing authority cannot refuse to levy it. In practice, councils will tend to consult residents before increasing the precept. In 2018-19, data on parish precepts showed that a total of £518 million was collected via the parish precept, which is £33 million higher than in 2017-18. This was 1.8% of total collected council tax; 8,839 parish councils raised a precept. This applies to a minority of the population in England, as there is no equivalent structure to the parish council in urban areas.

An interviewee shared that, in some cases, parish council "budgets have gone from a few hundred thousand pounds a year to over a million." Under the right circumstances, therefore, parishes have the potential to significantly increase their influence and spending power, where there is impetus to do so.

Citizen participation

According to one interviewee, there hasn't been much recent democratic innovation around citizen participation in England because the "dominant dynamic" has been one "around austerity and also around removal" of responsibilities from the control of local authorities. As a result, the discussion has been focused on managing such losses rather than invigorating democratic participation, as local government "simply don't have the time or the capacity".

Where innovation is taking place, it is mostly at the parish level, as previously discussed. One interviewee gave the example of Frome, where the parish is proactively going out into the community and to get people involved in local decision-making, tapping into local ideas about what the most pressing problems of the community are and potential solutions for resolving them. Below are listed several other mechanisms through which citizens are able to participate in local decision-making in England.

Voting in council and mayoral elections

Some academic commentators argue that citizen participation in English local government has been relegated to a largely passive role, due to the system's ingrained bureaucracy, the top-down nature of service delivery, and reduced participation in local politics.

For one interviewee, the creation of new mayoral offices has established a mechanism for local people to participate in decision-making. By lobbying, they argue, citizens can now influence how local budgets are spent and where the limited capacity of civil servants is dedicated in their area. The interviewee highlighted as an example how Londoners successfully organised in 2008 to put pressure on then mayor Ken Livingstone to support the living wage. However, there

¹⁹ Furthermore, while councils can define the amount of council tax they want to collect up to that level, council tax bands are set by the central government.

are no legal frameworks to hold mayors accountable to civic society, aside from at elections. This opportunity is limited to those areas with mayors, and to the functions/ services for which mayors have responsibility.

Participation through forums

Forums for housing tenants, such as Tenant Participation Compacts and Housing Cooperatives, have given people some opportunity to influence decision-making in their locality. Other examples include statutory consultation by Primary Care Trusts and health panels, foundation hospitals which include citizens on their panel, as well as Crime and Disorder Partnerships which have crafted a role for citizen participation.

Neighbourhood Plans

Neighbourhood Plans offer communities in England the chance to collectively agree strategic long term plans concerning the built and spatial environment of their community. The overwhelming majority relate to planning and development, but some also have a social component. Local referenda must be held to approve the neighbourhood plan which can bolster local democratic participation. One interviewee described neighbourhood plans as “powerful... living documents.” However, it must be noted that the plans are entirely voluntary.

Funding decisions/participatory budgeting

Participatory budgeting offers a mechanism through which local people can make decisions on the spending priorities of a defined public budget. In England, this democratic process is voluntary and, according to one interviewee, “at the low end and very patchy”. This tends to be characterised by small sums of money, allocated to individual councillors to spend. They argue this has resulted in “distributing gifts in local areas” rather than a mechanism which generates genuine public participation and innovation in allocating mainstream budgets.

Asset transfer

Asset transfer is intended to increase opportunities for communities to take on the management and ownership of local assets and facilities such as under-used community centers or empty schools. However, according to an interviewee, few communities in England actually own land as they often get priced out. The same person also indicated that the assets owned by most communities are not usually revenue raising. Finally, they pointed out there is a lack of certainty about the longevity and security around these assets, as government can take back these assets in the future, which has left some local people disillusioned.

Community Right to Bid

Community Right to Bid allows community groups, voluntary organisations, social enterprises and council employees the right to bid to take over the running of a service from the council, following a procurement process. Community Right to Bid allows for assets that have a perceived value to the community to be purchased by the community.

Deliberative approaches

In the last few years there have been increasing examples of local areas starting to experiment with the use of deliberative approaches such as citizens’ juries and assemblies to inform decision-making. This is not yet evidence of a systematic and sustained change in citizen participation in local governance.

GERMANY

Germany is a large federal parliamentary democracy with a complicated and varied system of governance. How this system looks now reflects to a significant degree the history of its development, in particular: how Germany formed as a state in the 19th century, the structures created at the end of the second world war, and then the reunification of East and West Germany in 1990.

The federation consists of 16 states called *Länder*. At the Federal level, parliament consists of two chambers: the directly elected Federal parliament (the *Bundestag*) and the Federal Council (the *Bundesrat*). The *Bundesrat* represents the 16 *Länder*; its members are not directly elected but are delegates from each *Land* government.

The 16 *Länder* comprise three 'city states' (Berlin, Bremen and Hamburg), and 13 'area states'. Each *Land* is largely the equivalent of central government in unitary states and has a directly elected parliament (the *Landtag*). There is no second chamber (i.e. equivalent to the *Bundesrat*) representing the interests of local government.

There is a federal constitution, the 1949 Basic Law. This signifies a legalistic conception of the German state – emphasising homogeneity of the law across *Länder*. The constitution creates the 'ground-rules' which every *Land* must follow. The division of powers is set out in the constitution; *Länder* are responsible for everything not explicitly assigned to the federal government in the constitution. The federation exerts wide-ranging powers in areas of inter-state matters such as defence and currency. Each *Land* has its own constitution, within the framework of the Basic Law, and is responsible for implementing its own laws and also those of the federal government. This differs from other federal systems where there are dual structures of state and federal government that operate in tandem at the federal level (e.g. Canada).

Traditionally, German local governance consists of two levels: districts as the upper and municipalities as the lower layer. Most municipalities lie within districts except larger towns and cities which exercise the responsibilities and powers of both levels. Local government does not constitute a self-standing (third) part of the federal structure, but is instead a formal part of each *Land*. For local government, the basic principle is that it is responsible in the territory it covers for everything that has not been explicitly assigned to Federal or *Land* levels by the federal constitution or *Land* laws.

Historical development

The federal system in Germany reflects its historical origins in the 19th century emerging from many self-governing cities and small principalities. Governments and parliaments emerged at the *Land* level; they governed their own affairs and formed a loose federation together. The beginning of a German state is marked by the establishment of the German Reich in 1871 under Otto von Bismarck. Parliamentary democracy was established in 1918 with the Weimar Republic.

At the end of the Second World War, the eastern part of what was the Reich was taken over by Poland and the Soviet Union, leading to 10 million refugees coming into the new federal republic. The remaining territory of Germany was divided into four zones occupied by each of the wartime allies: France, UK, US and the Soviet Union. Disagreement about unifying these zones led to the partition into West and East Germany, and the division of Berlin. The Federal Republic of Germany was established in 1949 covering the territory of the occupied zones of the three western allies, governed by the federal constitution.

Key reforms in governance

The two major changes to governance in Germany occurred after the Second World War, and on the unification of Germany in 1990. In 1949, ten *Länder* were created, each reflecting the political will of the allies and reflecting some of the historical and cultural character of government in those three countries. Only a few *Länder* retained their pre-war old territory and thus a historical sense of identity (e.g. Bavaria and Hamburg). But below that level, the structures and local identities of councils and districts stemming back to the 19th century remained largely unchanged into the 1960s: 24,000 municipalities (average 2,000 population) and 425 districts (average 60,000 population)

In the mid-to-late 1960s, the *Länder* of the Federal Republic each began broadly similar reforms to reduce the number of municipalities and increase their size. On average, it took about eight years to establish these new structures, reflecting the political controversy the reforms aroused. This was largely a process of imposed amalgamations, strongly opposed by municipalities. The result was large reductions in the numbers of municipalities in most *Länder*. The northern states were more aggressive in amalgamating while the southern states were more cautious.

On unification in 1990, the five *Länder* of the former East Germany joined the Federal Republic; and East and West Berlin came together to form the third city-state. The municipalities and districts of these eastern *Länder* were much smaller than their West German counterparts. In 1993/94, local government was reformed: four *Länder* created 'joint authorities' providing administrative support to groups of municipalities. The fifth *Land* pursued amalgamation, creating larger unitary municipalities alongside joint authorities. In all five *Länder*, districts were amalgamated: a reduction by between a half and two thirds. As a result the average population size for the districts was 110,000–130,000, still smaller than districts in former West Germany (which averaged 170,000).

Unification also heralded other changes, across all the *Länder*: the establishment of directly elected Mayors, acting as head of the council as well as of the local executive; and provisions for legally binding referenda at *Land* and municipal levels. These developments are described in more detail below.

Structure and function of local governance

Each *Land* has its own constitution and largely autonomous internal political structure. The municipal charters as well as the territorial boundaries of local governments are set by each *Land*. The Federation has no say in these matters.

The position of local government in the German system is set out in Article 28 of the federal constitution. This describes the scope of autonomy of local government and a presumption of local responsibilities: specifically, a guarantee of self-government and financial autonomy and the right to regulate 'all matters of the local community in their own responsibility within the frame of the existing (federal and *Länder*) legislation'. This has been described as a 'general competence' clause; and is one which historically dates back to the early 19th century.

Article 28 has not been taken as protecting the territorial boundaries of individual municipalities (or districts), against *Land*-led amalgamations. Municipalities are protected against a *Land* legislating in ways that violate due process in the *Land's* dealing with the municipalities. Any municipality may file a complaint to *Land* or Federal constitutional courts violated in its rights under Article 28. Municipalities found limitations in the use of this provision in the fight against the imposed municipal amalgamations that took place in the 1970s.

Structures of local governance

There is two tier local government in every *Land*, except in the three city-states, where the functions of municipalities and districts are combined. There are municipalities (11,054 in total) and districts (401) but a very large variation in the size of municipalities both across and within *Länder*. For example 21% of all municipalities are located in one *Land*, Rheinland-Pfalz, which has 5% of the population in Germany; whereas Nordrhein-Westfalen has 3.5% of all municipalities and 22% of the total population.

This leads to a 'mixed economy' for the delivery of local government functions/ services. Where municipalities and districts are smaller, a range of other arrangements are in place to take responsibility for certain functions that cannot effectively be delivered. As a result, some functions that are held at municipality level in some places are at district level in other places. Some issues, such as the environment, may be the responsibility of the *Land*. Inter-municipal cooperation is also a common arrangement to deliver services in smaller municipalities; in ten of the *Länder* there are municipal confederations.

Amalgamation is out, nobody talks about amalgamation in Germany. But for reasons of effectiveness these questions of inter-municipal cooperation in certain areas [are still discussed]. GR4

These arrangements can also vary across services within a single municipality: a municipality cooperating with some neighbouring municipalities for some services, and with other neighbours for other services. Outsourcing services is also another option, sometimes to private organisations and more often to civic or voluntary organisations, e.g. the Red Cross.

In contrast to this very varied picture of territorial structures and institutions across Germany, the establishment of directly elected mayors, with executive powers, has emerged throughout Germany. Since the 1990s, all German *Länder* except the city-states introduced this type of mayor, following the example of two *Länder*. The mayor acts as the head of the local administration and assumes their own functions as well as competencies delegated to him/her by the *Land*. One of the interviewees reflected on the emerging consensus in Germany around this model of mayoral leadership:

There is quite a consensus about the strong mayor model, with a directly elected mayor, with a functional strength of the mayor acting as the local executive. I think there is quite a consensus that this model is stronger than the previous one. GR3

In one *Land* alone, the model is different. The council is elected by the citizens and the council then elects members of a 'magistrate', who may not be council members. Citizens also directly elect the mayor who is automatically a member of the magistrate. The mayor chairs the magistrate, but the magistrate decides via majority vote. So it may be that, for example, a conservative mayor is surrounded by progressive magistrates mirroring the progressive majority in the council.

Financial arrangements in local governance

The majority of income for local government is not generated locally. The two largest sources of income are from *Land* grants of various kinds (about a 1/3), and from taxes (about 1/3). But most of this tax income is not raised locally. Local government can raise some local taxes: business tax is the most significant but is regulated at the federal level. Other local taxes include a dog and entertainment tax, but these contribute minimally to the total income. Some other income comes from charges and fees for public services, but this is again a small part of the whole.

Income tax and VAT is collected by the federal government and then distributed to *Land* and local government according to a scheme. Local government gets a percentage of the income tax collected in its territory. So this creates a competition for higher-income citizens who will contribute more to that tax share. There is a fiscal equalisation scheme to try and re-balance this inbuilt inequality but interviewees felt this was only partially successful: "Poorer cities getting poorer and richer cities getting richer" (GR2). This variable financial position can impact on municipalities' ability to deliver public services, as an interviewee illustrated:

One city has high unemployment, has wrecked streets, large potholes, no swimming facilities, no good childcare, no good local transport and so on and then the neighbouring municipality is just the opposite. GR2

Decisions to introduce new taxes, and who gets that income, is set at federal and *Land* levels. Local government can only raise taxes that have been agreed at higher levels of governance, but does have some discretion over the rates at which that tax is collected.

Interviewees described competition between municipalities over business tax rates, and the risk of a ‘race to the bottom’ in order to attract business. An example given by an interviewee was that the Frankfurt Stock Exchange was based not in Frankfurt but in a neighbouring municipality because the tax rate was lower.

Each *Land* constitution recognises the financial independence of local government. There is the principle in each constitution of ‘concomitant’ financing – if powers are delegated then adequate resources must follow to carry them out. But interviewees identified that notwithstanding these protections, this was still a source of disagreement between *Länder* and local government. One example cited was new obligations for the provision of kindergartens passed down to municipalities, but without the level of funding they felt it required. As an interviewee reflected:

If you talk to local politicians, they will always say the upper levels of government they are pouring tasks down on us.... there is always a debate about who’s doing what and who’s going to pay for what. GR2

A number of the interviewees highlighted debt as an issue for some municipalities.

Local democracy and politics

Elections to municipal councils and counties are by proportional representation. This means that coalitions and consensus-building are the norm. Political parties operating at *Land* and federal levels are active locally. However, the pattern of local politics is different to that seen at higher levels in a number of specific ways: local representatives tend not simply to follow national party lines but act pragmatically in coalitions across parties; also, smaller parties tend to be more successful at the municipal level which means there are

more fragmented groupings in councils. In most *Länder*, there are independent groups of ‘free voters’ which tend to gain a significant representation in local councils. And independent candidates can also be successful, particularly in mayoral elections.

There is no electoral threshold in most states which means it is easy to win a seat in the council with proportional representation if the number of total seats is high. One interviewee gave the example of Frankfurt which has 93 council seats. This means in practice that approximately 0.5% of the vote is enough to win a council seat. This is the reason for the sometimes large fragmentation in the council. Currently Frankfurt has 15 groups in the council with the number of seats held by groups ranging from 22 to one seat, with seven groups each holding a single seat each.

Socio economic position and challenges

Interviewees described significant variations in population and economic development in Germany. In the last 20 years, the German population overall increased by five million to 82.8 million in 2017,²⁰ but actually reduced in six of the sixteen *Länder*. In broad terms, depopulation is focused on rural areas and the eastern *Länder*, resulting in smaller, older populations. This creates social and economic problems in those areas, strikingly described by one interviewee, “some of the politicians say they are bleeding out” (GR2).

By contrast, the population growth in urban areas, particularly in cities, creates challenges around the necessary infrastructure to support the population rise. An interviewee highlighted large housing problem in major cities as a result of this “inner German migration” (GR2).

20 <https://www.citypopulation.de/php/germany-admin.php>

The large number of refugees taken in by Germany in the last few years was described as the most significant social challenge currently. As one interviewee described it:

This is a challenge, I would say, for integration policies and at the local level this means education, it means language courses social welfare, schools. So I think this is really the challenge of the next decade to integrate the millions of people who have arrived in Germany. GR3.

Despite these specific challenges, there was a sense from interviewees overall that Germany was performing comparatively well in relation to inequality. The following interview extract illustrates this:

I would say that inclusion and decreasing or limiting inequalities is working better than other countries. GR3.

Citizen participation

Germany is a site of significant use of direct democracy mechanisms for citizen participation at the local level, through legally binding referenda and citizen initiated referenda. These have been used most at the municipal level, and less frequently by *Länder*. The federal constitution makes provision for a national referendum in two specific cases: any proposed change to the number and size of *Länder*, or if the constitution is replaced by an entirely new one. This has never occurred. Other changes made in the Basic Law do not trigger a referendum.

Referenda at municipal level were first introduced in one particular *Land* in the 1950s. This was followed by all the other *Länder* which introduced referenda over a period of a few years in the mid-1990s, as part of a 'wave' of democratic developments that followed the re-unification of Germany. All referenda follow a common format: there is a two-stage process, begun by raising a petition to hold a referendum on a specific topic; if enough people support the petition then a referendum will be held. There is a threshold for a referendum to pass, generally a qualified majority and based on a minimum rate of participation by citizens. The thresholds for petitions and for referenda vary a bit between *Länder*. The results of any referendum are legally binding on the municipality.

Interviewees described examples where municipalities had sought to introduce new measures that were subsequently denied through a referendum, for example the privatisation of certain local public services being prevented, with Bavaria as a specific example. The influence of referenda was described not solely in their specific use but also in the impact they have on local politics, as one interviewee described:

I think it [a referendum] is quite a strong instrument in the hands of the citizens. And the impact is also an anticipatory one...the council is aware of the risk of a referendum and anticipates the possible citizens' view and so council members are behaving more collaboratively towards citizens. GR3

Some municipalities were also applying lower thresholds for citizen petitions to initiate referenda and lower thresholds required for a referendum to pass.

Interviewees also described a range of other participation activity. Some of this participation activity is a legal requirement on government, and some is discretionary. In general, an interviewee highlighted this as a change: *“I think there is a strong change towards more participatory democracy at the local level.”* GR2

Formal requirements for citizen participation are set out legally at federal or *Land* level. For example, major infrastructure developments like a new airport have very specific requirements. And some *Land* municipal charters require certain kinds of citizen participation. For example, an interviewee described the arrangement in one *Land* that requires local mayors to hold an annual public meeting with all of the local community, described as a ‘consultation hour’.

At the municipal level, discretionary participation activity is more common. Examples of this described by interviewees included the use of deliberative methods such as citizen assemblies, citizen panels to contribute to thinking on specific projects or initiatives, and participatory budgeting (PB). PB in Germany tends to be used as an advisory mechanism, mostly for gathering information on citizens’ views on how public budgets should be allocated. More routinely, user panels exist as a forum for ‘service users’ to give their views in, for example, transport or child care.

An important difference between referenda and these other forms of participation is that the outcome from the latter is not legally binding on local authorities. So despite the broad range of ways in which citizens are able to participate, in practice the final decisions taken may not reflect citizens’ views. This is particularly the case where local authorities are not bound to act in response to the view expressed by citizens through that participation. As one interviewee reflected, this can lead to citizen disenchantment with participatory opportunities:

These consultations and formats of non-binding participation [have] sometimes been a bit frustrating and disappointing from the citizen point of view. GR3.

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NEW ZEALAND

New Zealand is a constitutional monarchy with the United Kingdom's monarch as the head of state. It is a unitary state and a parliamentary democracy. It has a single chamber of government, the House of Representatives, with 120 MPs. The electoral system is a mixed member proportional system, with directly elected constituency MPs and additional list MPs, determined by party vote share. The recent election of 2020 led to the Labour party taking majority control of the parliament, the first time since 1996 that there has not been a coalition government.

There are two tiers of local government: regional councils and what are called 'territorial authorities' which comprise (largely rural) district and city councils. The overall position and role of local government is set out in the Local Government Act 2002, with some amendment in later legislation. This has been described as providing a general power of competence. Notable also is that it sets out a purpose of local government to promote 'community well-being'. This was to encompass what became known as the 'four well beings' – economic, social, cultural and environmental.

Historical development

The colonisation of New Zealand is a significant part of its history. The first settlers were ancestors of the Maori, these were probably Polynesians in the late 13th century. The first Europeans to arrive in New Zealand were Dutch, in 1642, influencing the country name – originally Nieuw Zeeland. The next European influence was the arrival of British and French in the 1800s. A British Governor was established and in 1840 the Treaty of Waitangi was signed with Maori chiefs across the country, establishing New Zealand as a British colony.

In 1852 legislation established representative government for New Zealand. Six (eventually 10) provinces were created, with elected superintendents and councils. At the national level, a General Assembly was established: a Legislative Council appointed by the Crown and a House of Representatives elected every five years. In 1854 the first parliament met.

In 1876 the provinces were abolished, leaving central government as the single legislative authority. Hundreds of local bodies soon came into being.

New Zealand became an independent 'dominion' in 1907, and its independent status as part of the Commonwealth was established in incremental changes over the next forty years.

Key reforms in governance

The key reform of local government occurred in 1989. This was a significant rationalisation and amalgamation of the complex and fragmented local governance landscape which had remained significantly unchanged for almost a century.

Legislation created regional areas with their own council and within the regions a second tier of 'territorial authorities': called city or district councils. Existing councils were required to amalgamate into larger units, without reference to polls of electors, which had been a barrier to reorganisation in the past. The number of territorial authorities was reduced from 205, and over 400 'special purpose' boards were abolished.

In 2010, the government created Auckland Council, combining eight existing authorities into a unitary council. Auckland is the largest metropolitan area in New Zealand with more than a third of the country's population and more than a third of its economy.

Structure and function of local governance

The Local Government Act 2002 states that the purpose of local government is: to enable democratic local decision-making and action by, and on behalf of, communities; and to promote the social, economic, environmental and cultural well-being of communities, in the present and for the future (s.10, LGA 2002).

There are two tiers of local government: regional councils and what are called 'territorial authorities' which comprise (largely rural) district and city councils.

Across the two tiers there are 78 councils:

- 11 regional councils
- 61 territorial authorities (50 district councils and 11 city councils)
- 6 unitary councils

Regional councils are primarily responsible for environmental resource management, flood control, air and water quality, pest control, and, in specific cases, public transport, regional parks and bulk water supply.

Territorial authorities are responsible for a wide range of local services, including roads, water reticulation, sewerage and refuse collection, libraries, parks, recreation services, community and economic development, and town planning. Notably, local government does not have any significant role in the delivery of social welfare services, which is the responsibility of central government.

Local councils are led by directly elected mayors. The mayor in the New Zealand system is described as a 'weak' form of mayor due to the lack of executive responsibility and the inability to veto council decisions. Mayoral powers are for the most part symbolic. Regional and territorial councillors and mayors are elected in local government elections every three years.

There are distinct governance arrangements in place for health: 20 District Health Boards (DHB). DHBs are responsible for providing or funding the provision of health services in their district. They also have social care responsibilities, specifically the funding of residential care services for older people. Each DHB is governed by a board of up to 11 members which sets its strategic direction and monitors its performance. The Minister of Health appoints up to four members to each board, and the board's chair and deputy chair, and seven members are publicly elected every three years, at the time of local government elections.

Financial arrangements in local governance

Local government is a relatively small part of the public service landscape, responsible for just over ten per cent of public expenditure, equivalent to under 4% of GDP.

Unlike the other countries studied, councils are not reliant on central government block grants. Instead, they raise most of their own funding, the majority of it (about 60%) through a property tax. Councils have a wide range of choices in how they apply that tax. There are two other primary sources of income which are sales of goods and services, and fines and fees. There is a further small contribution from grants and subsidies, primarily the share of road taxes and charges.

Councils' self-reliance in terms of their income is a source of some autonomy, as one interviewee reflected:

[They] have a reasonable amount, a high level of discretion in terms of how it's spent. So government is more hands-off than many. And because it's not actually funding local government, the councils enjoy more autonomy as a result. NZ1.

On the other hand, of course they're constantly giving councils either new duties or new responsibilities or increasing the level of quality that these services need to be delivered to. NZ1.

Citizen participation

Councils are required to adopt a Significance and Engagement Policy that sets out how they will engage with their communities according to the significance of matters under consideration. There are also statutory requirements to consult as part of their planning and decision-making responsibilities.

One of the formal institutions for citizen participation in local governance are Community and Local Boards. The Boards were established following the reform of local government in 1989 and are found in approximately 40 city and district councils. So far Local Boards, which have more responsibilities than Community Boards, are only found in Auckland, having been established as part of the creation of Auckland Council in 2010. Each board must have at least four members, a maximum of twelve, of which at least four should be elected members. Boards may include appointed members.

A Community Board can only exercise powers that are delegated to it by the local authority. There are some powers that councils cannot delegate to a community board, such as the power to buy, sell or lease property, or hire and fire staff.

In 2017, there were 110 Community Boards in New Zealand, down from 144 boards a decade ago in 2008.²¹ Research published in 2018 indicates that the boards take a largely advisory and advocacy role, with the significance of their influence on councils diminished. From a Scottish perspective, this position appears to have similarities with community councils.

21 The reduction was due to the loss of Community Boards in the councils that were amalgamated into Auckland Council and replaced with 21 Local Boards.

There have been institutions of co-governance set up between councils and Maori in specific areas of significant Maori interest in land and natural resource assets. These have stemmed from the historic loss by Maori of land or title to rivers and waters following the colonisation of New Zealand. One of the interviewees described the form of co-governance as:

...a co-governance body to manage a natural resource. Which may be a river or it may be a national park. And that co-body would have Maori representatives on it, it would have the relevant local government representatives on it and it would have a central government representative. NZ2.

QUEBEC

Introduction

Quebec is one of the 13 provinces and territories of Canada. It is the largest Canadian province by area and has the second highest population (8.5 million people) after the province of Ontario. More than half of the population of Quebec live in the two largest cities, Montreal and Quebec City.

Quebec is governed by a National Assembly of 125 elected members, each of whom represents a constituency of the province. The party with the largest number of elected members forms the Provincial Government, with executive powers vested in the Premier (the leader of the winning party) and their cabinet. Since Canada is a monarchy, Elizabeth II is Queen of Canada and her functions in Quebec are exercised by the Lieutenant Governor of Quebec. For much of its recent history, Quebec has been in a secessionist dialogue with the Canadian federal government.

Historical development

French roots in Quebec go back to the 16th century, when King Francis 1 of France claimed the land, which was called New France. Quebec City was founded as a French trading post in 1608. The province was the subject of ongoing military conflict between France and England/Britain through the 17th and 18th centuries and was finally ceded to Great Britain in the Treaty of Paris in 1763.

The Quebec Act of 1774 provided the people of Quebec with a charter of rights, and allowed for the maintenance of French civil law, the French language, and freedom of religious practice. The Act offended a range of interest groups in other parts of British North America, and set the stage for long-term grievance between the populations of French and British origin in what would become Canada.

The passing of the British North America Acts in 1867 provided for the formation of a self-governing confederation of the colonies of British North America (Canada – which became Quebec and Ontario, New Brunswick, Nova Scotia, PEI, and Newfoundland). Other colonies and territories joined the confederation over a period of several decades. The passing of the Statute of Westminster in the UK parliament in 1931 recognized Canada as co-equal with the UK. The Constitution Act of 1982 was the final step in securing Canada's full independence from the UK.

Key reforms in governance

Quebec's political history has until recently been dominated by ongoing debate, deliberation and referenda over whether Quebec should become an independent nation. This has had a direct bearing on decisions about decentralisation of power from the Government of Canada to its constituent provinces.

The Parti Québécois was elected to form the provincial government in 1976 on the platform of a 'sovereignty-association' referendum, by which Quebec would have independence in most government functions but share some others, such as a common currency, with Canada. The 1980 Quebec Referendum put this question to voters who rejected the proposals by 60 percent to 40 percent. Following the referendum, Pierre Trudeau, then Prime Minister of Canada, patriated the Canadian Constitution from the UK, and tried unsuccessfully to get the Quebec leadership to approve the constitution.

Since 1980 the Government of Canada has led various attempts to get Quebec to ratify the constitution, through promoting Federal-wide decentralization proposals that would recognize Quebec's status as a 'distinct society' within Canada. Attempts to date have been unsuccessful, in part because other provinces – as well as aboriginal and other interest groups – have opposed the creation of special status for Quebec. Quebec does have various quasi-constitutional charters in place including the 1975 Charter of Human Rights and Freedoms (*Charte des droits et libertés de la personne*) and Charter of the French Language. These are subservient to the Canadian constitution, but unique to Quebec.

In the 2018 provincial elections a non-traditional party the Coalition Avenir Québec (CAQ) won a landslide victory, beating the Parti Québécois into third place. CAQ is a centre-right nationalist party which supports only increased autonomy for Québec. The CAQ aims to deliver this by requesting the devolution of further powers from the federal level, including greater power over immigration and taxation. Conversely, while the Canadian government has expressed opposition to a new Bill which regulates the wearing of religious symbols by public servants, Quebec has chosen to use the Canadian Charter of Rights and Freedoms to enforce the new law.

There is an interaction between decisions about the decentralisation of powers to provincial level, and the subsequent ability of the Quebec government to reform sub-provincial structures. Perhaps reflecting this, since the 1960s there has been increasing focus on the reform of sub-provincial and local governance structures, in line with the ongoing redefinition of federal/provincial relations (Hamel and Rousseau, 2003).

The roots of Quebec's sub-provincial/local governance reach back to the mid-19th century, when a series of Acts gave official status to municipal governance structures of different types across Quebec's territories. More recent processes of local governance reform in Quebec have been ongoing since the 1960s, when the incoming Liberal government began a series of reforms aiming to transform the existing municipal structures, *municipalités*. Municipalities were seen as outdated and inefficient, too many in number, and unable to respond to the needs of Quebec's increasingly urban population.

The 1960 Liberal government sought to reduce the number of *municipalités*, to promote urban agglomeration, and to promote regional development within the province. This was a centralised, top-down managerial vision of reform which aimed to integrate and modernise municipal structures, and create larger and more autonomous institutions. Implementation of change was slow, with the creation of Regional County Municipalities eventually approved in 1979. Subsequent years were characterised by the emergence of resistance to the top-down managerial planning approach from local and regional actors seeking to democratise local political spaces.

By the late 1990s, a new set of municipal reforms were in development, within the context of the retreat of centralised planning approaches in favour of decentralisation of services to private and third sector actors. In 2000 the government published a White Paper promoting amalgamation of municipalities to drive greater cooperation and efficiency, and particularly to create large urban-suburban agglomerations with greater powers in order to create globally competitive city regions. This resulted in a series of forced mergers of 212 municipalities in urban areas, with the creation of a new layer of metropolitan government (the *Communauté métropolitaine*), and of local borough councils.

These reforms faced considerable opposition in the affected areas. In 2004, following a change of government, some of the merged municipalities were able to hold referenda to retrospectively approve or reject the mergers. This resulted in the 2006 demerger of some municipalities from the new city areas, most extensively in Montréal. However, the creation of a new overarching urban governance structure, the *agglomération*, meant that even demerged municipalities did not regain full autonomy from the merged city structures.

Current structures of local governance

Today, Quebec has three levels of local governance.

1. Administrative regions

Quebec is divided into 17 administrative regions which serve primarily to organise the provision of provincial government services, most significantly the allocation of regional economic development funding.

2. Regional county municipalities

Beneath the level of administrative region, there are 86 regional county municipalities (*municipalités régionales de comté, MRC*), 2 metropolitan communities and one regional administration. The regional and urban structures bring together several local municipalities which are considered to share common interests.

MRCs deal with issues requiring coordination between neighbouring local municipalities such as waste management and public transportation. They have responsibility for a number of issues of local interest, including territorial planning, realty assessment for property taxes, waste management, emergency planning, local economic development and employment assistance as well as local financing of the local development centre or CLD (*centre local de développement*). Most municipalities belong to an MRC. However, some municipalities, mostly urban, northern or Aboriginal, do not.

The powers of the MRC are exercised by the MRC council (*conseil de MRC*). This is composed of the mayors of each of the member municipalities and possibly other elected municipal officials as well as a warden (*préfet*). Depending on the MRC, a warden can either be appointed by the council or elected by universal suffrage.

The two metropolitan communities of Quebec and Montreal have responsibility for areas of common interest to their constituent municipalities such as urban planning, economic development, promotion of international trade, artistic and cultural development, public transportation and waste management.

In addition, the [Kativik Regional Government](#) or KRG (*Administration régionale Kativik*), serves a primarily Inuit population. In addition to the usual functions of MRCs, the KRG exercises powers devolved to the Inuit of Quebec in recognition of their right to self-government. These include jurisdiction over police, transportation, communications and labour.

3. Municipalities

There are 1130 local municipalities of different types in Quebec. These cover most although not all of Quebec's territory. Municipalities range widely in size, with 711 having fewer than 2000 inhabitants, and 10 with more than 100,000. The majority (over 1000) have fewer than 10,000 inhabitants.²²

Since 2006, some urban municipalities have been clustered into 11 urban 'agglomerations' (*agglomérations*). This arrangement was put in place following the secession of some of the urban merged municipalities. It results in some shared responsibilities between central cities and their surrounding metropolitan/suburban areas. One municipality in each agglomeration is known as the *central municipality* and has special status. Agglomeration powers are exercised by an agglomeration council, formed of elected members from each of the constituent municipalities, with the number of councillors representing each municipality determined

by its relative size. The central municipality may exercise veto powers over the council's decisions. The competencies of the *conseils d'agglomération* relate to services and areas of collective interest across the agglomeration, including police and emergency services; social security; social housing; aspects of utility and environmental management; ports, industrial zones, and airports of importance.²³ The municipal councils which make up the agglomeration have a range of local decision-making and management powers, for example in relation to local planning, utilities, waste management, amenities and leisure, markets etc.

Some larger urban municipalities are divided into boroughs (*arrondissements*). Some municipal functions are delegated to borough councils (*conseils d'arrondissement*) where it is deemed desirable for these functions to be administered more locally. The powers of the borough council vary from municipality to municipality and even from borough to borough within a single municipality and are often guaranteed by provincial statute. Typically, a borough council might have powers relating to town planning; public consultations; fire prevention; waste management; support for local development organisations; parks, sports, cultural and leisure facilities; local roads; and issuing local permits. With some exceptions, a borough council cannot borrow, impose taxes or take legal action.

Election to the municipal councils are held every four years, with local residents electing a fixed number of councillors (a minimum of six, with the number dependent on the population size of the municipality) and a mayor. The mayor is directly elected by the voters, and has powers which are distinct

22 This includes 875 municipalités locales under the Municipal Code; 232 which fall under the *Loi sur les cités et villes*; 14 which fall under the *Loi sur les villages nordiques et l'Administration régionale Kativik*; 9 which fall under the *Loi sur les villages cris et le village naskapi*; See <https://www.mamh.gouv.qc.ca>

23 For a full list of the competencies, see: https://fr.wikipedia.org/wiki/Agglom%C3%A9ration_du_Qu%C3%A9bec

to those of the rest of the council. The mayoral responsibilities include chairing the council, monitoring the operation of municipal services, and ensuring revenue collection. They have the right to participate in other democratic bodies such as the MRC. The mayor has a right of veto over council decisions although this can be reversed by a second majority vote.

The relationship between the role and powers of the municipalities and those of the regions and provincial government continues to be the subject of negotiation. The Union of Quebec Municipalities (UMQ) represents municipalities of all sizes and represents municipal interests in negotiations and advocacy with the Quebec government.²⁴ In 2012 the UMQ published a white paper which proposed a Municipal Charter involving a redefinition of the relations between Quebec provincial government and the municipalities.²⁵ The Charter requested the Quebec government to recognize the municipality “as an autonomous political authority and grant it the jurisdiction, powers, resources and autonomy necessary to meet the local needs of its population.” This reflects a move among municipalities to demand more powers and new fiscal models.²⁶

Financial arrangements in local governance

The provincial government of Quebec takes the majority of its revenue through a progressive income tax, a 10% sales tax and various other taxes (such as carbon, corporate and capital gains taxes), equalization payments from the federal government, transfer payments from other provinces and direct payments. By some measures Quebec is the highest taxed province; a 2012 study indicated that “Quebec companies pay 26 per cent more in taxes than the Canadian average”.²⁷

The revenues of Quebec municipalities come mainly from three internal sources: property taxation; specific taxes; and pricing of services. Property tax accounts for 70% of municipal revenue in Quebec, compared with closer to 40% in the rest of Canada. Government transfers to municipalities in 2008 were about 12% of the total revenues of local municipalities in the province.²⁸

In December 2019, the Government of Quebec signed a new partnership agreement with municipalities, the *Partenariat 2020-2024*. This is intended to significantly increase fiscal transfers to municipalities over the next five years. The partnership puts in place a new fiscal transfer equivalent to the value of a one-point growth in the Quebec sales tax, as well as creating a new fund the Regional and Rural Fund. The new funding arrangements represent an increase of 111% compared with spending under the previous 2016-2019 partnership.²⁹

24 <https://umq.qc.ca/>

25 <https://umq.qc.ca/publications/livre-blanc-municipal/>

26 G. Chiasson and A. Mévellec (2014), ‘The 2013 Quebec municipal elections: What is specific to Quebec?’, *Canadian Journal of Urban Research* 23(2)

27 https://en.wikipedia.org/wiki/Quebec#Government_and_politics

28 [https://fr.wikipedia.org/wiki/Municipalité_locale_\(Québec\)](https://fr.wikipedia.org/wiki/Municipalité_locale_(Québec))

29 <https://umq.qc.ca/wp-content/uploads/2019/11/2019-09-30-partenariat-2020-2024-fiche-synthese.pdf>

The new funding agreement is an acknowledgement that the continued reliance on property taxes is unsustainable for municipalities, especially as their responsibilities have increased. The growth in online business over physical shops has also had an impact on municipal tax revenues. The new funding arrangements are intended to share the benefits of economic growth more fairly with municipalities. The increased funding to rural areas and regions is recognition of the continued economic dominance of urban areas and the need to do more to support development and innovation in other parts of Quebec.

Local democracy and politics

Within the wider Canadian context, Quebec is notable for the presence of a large number of registered municipal political parties which are not officially vertically linked or integrated with provincial parties. In 2013, 180 such local parties were authorized by the Chief Electoral Officer of Quebec. Whilst these had traditionally been viewed as electoral campaigning vehicles which lend organisational and financial support to candidates, evidence suggests that in some cases, these parties have become institutionalised over the course of several elections, in urban areas in particular, and that they are contributing to an increasing politicisation of municipalities; the development of 'government' and 'opposition' dynamics within municipal councils; and the emergence of a cadre of mayorships and councillor posts which benefit from strong organisational and financial backing.³⁰

Between 2009 and 2011, the Charbonneau Commission investigated incidences of corruption amongst municipal officials in relation to election funding and municipal contracts, which resulted in criminal charges and resignations. As a result of these revelations and the subsequent decrease in public confidence in municipal politics, in 2011 the Government of Quebec passed the Municipal Ethics and Good Conduct Act, requiring that municipal councils adopt a code of ethics and elected officials be trained in ethics and professional conduct.

Despite this, pressure for the transference of more powers to municipalities has continued to increase. Following the UMQ White Paper and Municipal Charter, a new law was passed in 2017 (Loi 122) to transfer more powers and autonomy to municipalities, recognising explicitly that they are local governments (*gouvernements de proximité*).

The law increases the powers of local municipalities in town planning and development, and allows a municipality to adopt a policy of public participation – as opposed to public referendareferenda – in matters of town planning. The law increases powers in relation to the promotion of affordable housing, and creates stronger obligation on the Quebec government to consult municipalities in relation to planning guidance.

30 Anne Mévellec and Manon Tremblay (2013), 'Les partis politiques municipaux: La 'westminsterisation' des villes du Québec?', *Recherches sociographiques*, LIV, 2, 2013 : 325-347

Controversially, the law relaxes certain financial and procurement management and approval requirements on municipalities, something which several political parties opposed as increasing the risk of corruption – particularly in the light of the 2011 Charbonneau Commission findings. However, the government argued that the emphasis on increasing transparency around decision-making will offset this. It is not clear to what extent the change of government in 2018 might affect the speed and extent of implementation of the changes set out in the law.

Socio-economic position and challenges

In its 2019 financial report, the Government of Quebec reported that Quebec is one of the most indebted provinces in Canada, with a net debt burden of 39.7% of GDP in March 2019, compared with the average across all Canadian provinces of 30.3%.

However, the same report notes that Quebec is currently experiencing strong economic growth, with real GDP growth in 2019 adjusted to 2.4% from the 1.8% forecast of the March 2019 budget, outstripping Canada-wide growth levels. This also has led to the Government's own-source revenue being \$1 billion higher in 2018-19 than had been forecast.³¹

Citizen participation

Citizen participation has a long history in local politics in some areas of Quebec. In Quebec City in the 1970s, opposition to a large scale urban development project resulted in increasing moves towards democratisation and citizen involvement in municipal decision-making. This in turn led to the piloting of neighbourhood councils (*conseils de quartier*), elected bodies of citizen representatives which could represent citizen views in relation to projects and services affecting the local area. In 1996, the City of Quebec asked the provincial government to amend the City's charter to include the obligation to adopt a public participation policy and to create neighbourhood councils throughout the territory. Bherer (2010) describes how during the subsequent processes of merger and demerger in the urban municipalities, the creation of neighbourhood councils was contested by some city actors who felt that referenda were a more democratic tool for decision-making. The subsequent struggle for political space at the local level with the newly-created borough councils also served to undermine the role of the neighbourhood councils in the eyes of some.

Increasing citizen participation and engagement in local government is one of the key principles underpinning the 2017 *Loi 122*. The Act gives municipalities broader powers over urban planning, and makes it possible for municipalities to adopt a policy on public participation in urban planning. The Act defines requirements for any participation policy as follows:

31 http://www.finances.gouv.qc.ca/documents/Autres/en/AUTEN_updateNov2019.pdf

... ensuring that (1) the decision-making process is transparent; (2) citizens are consulted before decisions are made; (3) the information disseminated is complete, coherent and adapted to the circumstances; (4) citizens are given a real opportunity to influence the process; (5) elected municipal officers are actively present in the consultation process; (6) deadlines are adapted to the circumstances and allow citizens sufficient time to assimilate the information; (7) procedures are put in place to allow all points of view to be expressed and foster reconciliation of the various interests; (8) rules are adapted according to, in particular, the purpose of the amendment, the participation of citizens or the nature of the comments made; and (9) a reporting mechanism is put in place at the end of the process.³²

Municipalities and regions in Quebec have been developing their own participation policies in response to the Act. As an example, the participation policy for Quebec City, based on two years of consultation and development, was published in February 2020 and is now in public consultation. The foundations of the new policy integrate several key elements of *Loi 122*, emphasising transparency in decision-making; consultation prior to decision-making; provision of complete and comprehensible information to support participation; genuine ability for citizens to influence decisions; and appropriate timelines for participation.³³ The new policy envisages a greater role for Neighbourhood Councils as a primary interlocutor with citizens. The city has also launched a new platform for digital participation: <https://participationcitoyenne.ville.quebec.qc.ca>

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32 <http://www2.publicationsduquebec.gouv.qc.ca/dynamicSearch/telecharge.php?type=5&file=2017C13A.PDF>

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SCOTLAND

Scotland is one of the four nations that make up the United Kingdom (UK). The original parliament of Scotland was created in the early 13th century and was the national legislature of a then independent nation. In 1603, the English crown passed to James VI, King of Scotland. The two nations then had the same monarch – an arrangement known as union of the crowns. The *Union with England Act 1707* established parliamentary union between Scotland and England. Scotland retained autonomy over several key areas – its distinct legal system remained intact and its Church stayed independent from the Church of England.

In a referendum in 1997, a majority of voters agreed there should be a Scottish parliament with tax-varying powers. The *Scotland Act 1998* established a single-chamber Scottish parliament that could pass primary and secondary legislation. The devolution settlement dictates that any powers not set out in legislation as the responsibility of the UK Parliament (reserved matters), are *de facto* considered to be the responsibility of the Scottish Parliament (devolved matters). The Scottish Variable Rate enabled the parliament to increase or decrease the basic rate of income tax by up to three pence in the pound.³⁴ However, the overwhelming majority of the Scottish Executive's budget

was to be funded through a 'block grant'³⁵ from the UK Government.

A referendum on Scottish independence was held in 2014 but rejected by voters.³⁶ New financial and social security powers were subsequently devolved from the UK to the Scottish parliament in the *Scotland Act 2016*. The Scottish Government estimates that its budget may vary by up to six percent by 2022/23,³⁷ which would be a significant change from the level of variation through the UK Government's block grant.

There are 129 Members of Scottish Parliament (MSPs); 73 constituency MSPs, elected through First Past the Post³⁸ and 56 additional members selected from regional party lists under proportional representation. Ordinary elections for the Scottish parliament were due every four years, however legislation has subsequently amended this to be every five years.³⁹

34 This power was never used; now replaced in *Scotland Act 2012* by the power to set Scottish Rate of Income Tax (SRIT).

35 The block grant was calculated using the 'Barnett Formula', which adjusts the funds allocated to Scotland in proportion to spending in other parts of the UK by the UK Government. Since the devolution of fiscal and social security powers to Scotland through the *Scotland Act 2016*, Block Grant Adjustments are used to tailor Scottish Government's funding.

36 55.3% to 44.7% voted against independence, turnout was 84.6%.

37 Scotland's Fiscal Outlook, Scottish Government, May 2018.

38 The First Past the Post voting system elects the candidate with the highest number of votes in a constituency.

39 Scottish (Elections) Reform Act 2020.

Historical development of local governance

In the 12th century, Scotland was split into counties, parishes and burghs. Counties evolved from sheriffdoms and stewartries, while parishes were used as a way of dividing the country into small regions, each with their own local church and clergy. Burghs were towns that enjoyed a certain level of autonomy and special privileges over the regulation of trade and industry. From the 17th until the mid-19th century, local government in Scotland was characterised by the regime of church and gentry (in parishes and counties) and by oligarchy in the burghs. Social, economic, political and religious transformation in Scotland all impacted the evolution of local government in the 18th and 19th centuries.

Between 1889 and 1975, Scotland was made up of 37 county councils (with some minor reforms taking place during this period). This included four 'counties of cities' covering the nation's largest cities: Aberdeen, Dundee, Edinburgh and Glasgow. The other 33 counties were made up of 21 large burghs (an area with a population of 20,000 or more), 176 small burghs and 196 landward districts. Large burghs were largely independent of county councils, with the exception of major services such as police and education. Counties of cities united the powers of the burgh and the county council. Small burghs provided services such as street cleaning, housing, lighting and drainage. The landward districts had more limited powers such as maintaining public pathways and parks.

Key reforms in local governance

During the 1960s, a general consensus emerged for reform of the structure of local governance. The Royal Commission on Local Government in Scotland (the 'Wheatley Commission') put forward a proposal for a two-tier structure in 1969. This was introduced in the *Local Government (Scotland) Act 1973* and came into effect in 1975. The Act abolished all former burghs (their powers were passed on to district councils) and divided Scotland into eight large regional councils, 53 smaller district councils and three unitary councils for the Island Areas. The top tier of eleven regional councils⁴⁰ had responsibility for functions such as education, health, social care and roads. Each regional council contained several district councils within it, each district council being responsible for functions such as planning, housing and leisure.

The *Local Government etc. (Scotland) Act 1994* introduced the current structure of local government in Scotland, which has been in place since 1996. The new 32 unitary local authorities combined the functions of the old regional and district councils but covered smaller geographical areas.

Most recently, the *Public Bodies (Joint Working) (Scotland) Act 2014* established Integrated Joint Boards for Health and Social Care delivery, which came into force in 2016. NHS and council care services came together under a partnership agreement for each local authority. They are jointly accountable for the health and care needs of local residents who access these services.

40 Borders, Central, Dumfries and Galloway, Grampian, Highland, Lothian, Orkney, Strathclyde, Shetland, Tayside, Western Isles.

Structure and function of local governance

Since 1996, local government in Scotland is organised into 32 local authorities which represent a geographical area and are accountable to voters in their area. The three island local authorities – Orkney, Shetland and Na h Eileanan Siar (Western Isles) – retain the form set in place in 1975. Each local authority is made up of multiple wards.

Local authorities in Scotland differ significantly in size and population⁴¹ but all are commonly responsible for the delivery of a specific range of public services in their area. This includes education, social care, waste management, road maintenance, parking related issues, public transport, council housing and the provision of business licenses or permits. The powers of local authorities are legally binding and can be split into three categories. Mandatory duties that local authorities are obliged to fulfil (such as schooling for 5-16 year olds); permissive powers which aren't required but are allowable (such as economic development); and regulatory powers to monitor business operations (such as licensing of taxis).

The *Local Government (Scotland) Act 1973* established many of the processes and responsibilities that are still in place in local government. Two prime examples are the statutory power to borrow money and the delegation of decision-making powers to

(sub-) committees. The Act placed a duty on local authorities to introduce Community Council schemes in their localities and gave them statutory oversight over these community bodies. The legislation also made provisions for local authorities to tailor schemes to local circumstances, in consultation with Community Councils.

Recent policy and legislative changes around improving outcomes, community empowerment, regional economy and wider national policies require local authorities to strive towards achieving local priorities and improving outcomes for their communities. The *Local Government in Scotland Act 2003*, for example, introduced a requirement for Scottish councils to work in partnership with local bodies to provide services, within the framework of community planning. The act also imposed an obligation on councils to pursue 'best value' and promote wellbeing.

Financial arrangements in local governance

The Scottish government provisionally sets the budget for local authorities over a three-year period to help them plan for the longer-term. In practice, in recent years the government has set single-year budgets. On average, councils receive around 56% of their funding through the government's General Revenue Grant,⁴² around 22% from Non-Domestic Rates income⁴³ and the other 22% from Council Tax.⁴⁴ These proportions vary significantly between local authorities. Councils can apply for additional support

41 As an illustration, Dundee City is the smallest council territory, covering 60km², while Highland is the largest, covering 25,659km². Glasgow City has the largest population of 621,000 and Clackmannanshire has the smallest with 51,500.

42 The *Police and Fire Reform Act 2012* transferred the police and fire services from local to central government and the funding was transferred out of the local government settlement.

43 Non-domestic (business) rates are taxes paid on non-domestic properties in Scotland. Rates are based on the value of the property, as determined by independent assessors. A review of business rates, the 'Barclay' review, published its findings in 2017. Its recommendations were taken forward through the *Non-Domestic Rates (Scotland) Bill* currently going through the Scottish parliament.

44 The *Local Government Finance Act 1992* introduced a system of domestic property taxation, known as council tax, based on a property's value, assigned in bands. A commission on Local Tax Reform, established by Scottish Government and COSLA, concluded in 2015 that council tax should be abolished and replaced with an alternative that is "fairer, more progressive and locally empowering." The *Council Tax (Substitution of Proportion) (Scotland) Order 2016* made amendments to the existing model.

through the discretionary Bellwin Scheme in cases of large-scale emergency. Scottish Government and other public bodies also provide capital grants to support local authorities' capital expenditure.

Each local authority sets the rate of their council tax and decides how the raised money is used to support and deliver local services. A cap of 3 per cent set by the government applies to changing council tax rates in a financial year. In 2017 the Scottish Government lifted a ten year freeze on council tax increases. In 2018/19 all councils in Scotland increased their council tax to the maximum allowed amount, with many simultaneously increasing fees and charges to raise income. In 2019/20 Scottish Government increased the cap to 4.8 percent in cash terms, or 3 percent in real terms. Twelve councils increased their council tax to the maximum, thirteen increased by 3 percent, and the other seven increased their council tax between 3.9 to 4.5 percent.

Non-domestic rates, also called business rates, are taxes paid on non-domestic properties. Scottish Government are responsible for the policy and legislative framework and set the tax rates, but individual councils administer and collect the tax. The rates are based on the rateable value of a property, determined independently. The amount paid is calculated by multiplying the property's rateable value by a pence in the pound tax rate known as the poundage.

In 1999, the McIntosh Commission recommended an independent review of local government funding, and called attention to worries over the power of general competence for councils, ring-fencing and financial disempowerment of local authorities. A Concordat was signed in 2007 by Convention of Scottish Local Authorities (COSLA) and Scottish Government, which removed many formerly ring-fenced grants. The agreement introduced no structural

changes in local government but it gave councils more control over their budgets and how they manage their services.

Recently, additional means for local revenue raising have been taken forward. The *Transport (Scotland) Act 2019* made provision for an optional Workplace Parking Levy which councils can choose to introduce. Scottish Government also launched a consultation on the introduction of a local discretionary transient visitor levy (often known as a 'tourist tax') in 2019. An independent analysis of the responses was published in 2020. Further work is currently halted due to COVID-19.

Local democracy and politics

The local government electoral system changed in the *Local Government in Scotland Act 2004*. Under this legislation, local elections take place every four years. In practice, since 2012, elections have occurred after five years, to avoid being held at the same time as Scottish Parliamentary elections. Residents of each ward directly elect three or four councillors to represent them through proportional representation. Prior to the change in electoral system, councils were generally led by a single majority party. Coalitions between two parties and independents, or sometimes minority coalitions, have become the norm.

There are 1,227 councillors in Scotland. The number of elected councillors on each local authority varies from 14 to 77, depending on the number of wards in its territory. Each local political party appoints its own leader. The leader of the largest party becomes Leader of the council and the *de facto* political authority. There is also a civic leader (the Provost or Convenor) who chairs meetings and acts as a figurehead, elected at full council meeting. The full council serves as a governing body, bringing together all elected councillors to make key decisions such as setting the annual budget and

council tax level, appointing committees and electing a Convenor and deputy Convenor.

Decision-making in Scottish local government is mainly through committees of the full council, predominantly made up of elected councillors. Teachers, business leaders and others can be appointed to relevant committees as expert non-voting members. Local authorities also have a number of officer posts, which are largely administrative and performed by non-political staff, determined by individual councils. There are several statutory officer roles prescribed by the government, such as the council chief executive.

Citizen participation

Councils in Scotland can hold advisory referenda on their services, financial provision, and other local issues.⁴⁵ Voting in such referenda is one way citizens can participate in local decision-making. Local authorities are also required to consult residents before implementing a road charge scheme.⁴⁶ Such referenda are not frequently used but there are some illustrative examples. In 2005, the City of Edinburgh council held a referendum to test whether local people supported a new transport strategy, which included a congestion charge. The proposal was rejected and the charge was not introduced. In 2012, Aberdeen City council held a referendum on plans to redevelop the city centre's gardens. The referendum result approved the plans but they were subsequently voted against by the council.

At present, there are around 1200 community councils⁴⁷ in Scotland. These community bodies serve as an intermediary between communities and local authorities in Scotland and represent the interests of local people. They are run by elected volunteers from the community. Local authorities have a statutory duty to consult community councils on planning, development and other issues that directly impact on local residents.

The *Community Empowerment (Scotland) Act 2015* requires Community Planning Partnerships (CPPs: partnerships locally involving local authorities, health, police, fire and rescue services and other bodies) to consult community organisations at every phase of community planning. Particular focus is given to addressing inequalities during this process. In addition to area-wide Local Outcome Improvement Plans, CPPs are required to put together locality plans at a smaller scale, for areas affected by disadvantage.

The legislation also makes provisions for community asset transfers, which enable communities to take responsibility for land and buildings in their area. Community bodies can request to purchase, lease, manage or use land and buildings owned by councils, public bodies or the government. Available land and buildings are published on a register. Community bodies need to outline their plans for the land or building and the related benefits for their local area. The request needs to be agreed, unless there are valid reasons for refusal, such as larger benefits resulting from another proposal.

45 *Local Government (Scotland) Act 1973*

46 *Transport (Scotland) Act 2001*

47 Provisions for Community Councils in Scotland were introduced under the *Local Government (Scotland) Act 1973*.

The *Community Empowerment (Scotland) Act 2015* also introduced Participation Requests. These requests allow a community body to begin dialogue with their council over local issues and service delivery. In cases where the community body feels it could contribute to improving an outcome, they have the right to request to participate in that process. This could include offering volunteers, suggesting alternative approaches, or even proposing that the community body takes responsibility for delivering said service. The relevant public body has a duty to agree to the request and begin a process, or provide a good reason why that should not happen. Once the process is complete, the public body is required to publish a report, disclosing whether local outcomes have been improved and what the role of the community body has been in achieving this result.

Finally, the Participation in Public Decision-Making section of the Act gives Scottish Ministers the power to mandate Scottish public authorities to encourage and facilitate the participation of local people in decision-making over local issues and activities. This includes the allocation of local resources, a practice known as participatory budgeting. Scottish Government and COSLA are working with local authorities to reach a target of having at least 1% of their budget allocated through participatory budgeting. If realised, this would give local people a say in how almost £100 million will be spent in Scotland each year.

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URUGUAY

Uruguay is the oldest democracy in Latin America. The Economist Intelligence Unit Democracy Index 2019 classified Uruguay as a 'full democracy' and ranked it 15th in the world, just below the United Kingdom.

Uruguay is a representative democratic republic with a presidential system. The president is the head of state and the head of government. The president and vice-president are elected on the same ticket by popular vote for a five-year term. The President appoints the Council of Ministers, thirteen cabinet ministers who head executive departments. The ministers can be removed by the General Assembly by a majority vote.

The General Assembly consists of two chambers. The Chamber of Representatives (*Cámara de Representantes*) has 99 elected members representing Uruguay's 19 administrative regions, known as 'departments' (*departamentos*). The representatives are elected via a system of proportional representation. The upper house, or Chamber of Senators (*Cámara de Senadores*) consists of 30 members representing Uruguay's political parties, elected for a five-year period via proportional representation. The vice president presides over the chamber.

Until recently, Uruguay's governance was highly centralised and unitary. There were two levels of government, national and departmental. Departmental governments acted largely as arms of the state. Formal decentralisation of governance to more local levels has largely been taking place since 2010.

Historical development

Uruguay won its independence through a series of conflicts from 1811-1828, with Portugal, Spain and Britain mounting a series of invasions and counter-invasions. Throughout the 19th century, relations between the post-colonial states of Brazil, Uruguay, Paraguay and Argentina were tense, and this was expressed through a series of wars, and ongoing instability within Uruguay.

During the 19th Century, Uruguay developed as a two-party state. The Colorado (Red) party was a liberal party, representing urban interests, business, and reformist intellectuals. The Blanco (White) party – now the National party – was a conservative party representing rural interests, the church, and the military. These two parties have competed to govern Uruguay, and its development as a state has reflected the ongoing need for compromise and balance between the interests of these two political groupings.

At the beginning of the 20th century, Uruguay embarked on a series of reforms led by a Colorado president which put in place many of the foundations of Uruguay's democracy. This included freedom of expression and the press; universal suffrage; the abolition of the death penalty; and electoral systems of proportional representation. There were also social and economic measures intended to promote equality and workers' rights, including free and compulsory primary education; support for trade unions and recognition of the right to strike; maternity leave; and an eight-hour working day. This reforming programme was instrumental in Uruguay's transformation into a progressive social democracy.

From 1973 until 1984, Uruguay was ruled by a military dictatorship. During this period there were thousands of arrests, political opponents subjected to torture, political repression, killings and disappearances. Almost ten percent of Uruguayans emigrated. A key factor in the ending of the dictatorship was a referendum on proposals for reorganizing Uruguayan democracy. Voters rejected these proposals, marking the beginning of a negotiated return to democracy.

Since 1984, other political parties have emerged, most notably the Frente Amplio ('Broad Front'), a leftist alliance of more than 20 parties or movements. The Frente Amplio won the national election in 2004 through its support for an increased welfare state, and held power until 2019.

Key reforms in governance

Uruguay has adopted a series of constitutions, each of which has incorporated governance reforms. The 1917-18 constitution moderated the power of the presidency and also introduced full voting rights for men (women's suffrage followed in 1934), and an electoral system based on proportional representation. The constitution was approved by Uruguayan citizens in a plebiscite, the country's first use of a direct democracy mechanism. The constitution established the right of popular initiatives on local issues where these are supported by signatures from at least 25 percent of registered voters.

The 1934 constitution defined democratic mechanisms and thresholds for changes to the constitution itself through obligatory referenda (plebiscites) or popular initiatives. These were further defined and extended to include other types of referendum in the 1967 constitution.

A subsequent constitutional reform passed in 1966 states that the citizenry may use popular initiatives at both national and provincial levels to annul or derogate laws. Moreover, the electorate must be consulted on any constitutional reform or amendment by means of a plebiscite, or compulsory referendum.

Decentralisation of powers to more local levels has been a focus of more recent constitutional changes. The 1996 reform required the state to formulate decentralisation policies 'to promote regional development and social wellbeing', devolving greater powers to the departmental level, including more fiscal autonomy.

Finally, the 2009 Law on Decentralisation and Citizen Participation (*Ley de Descentralización y Participación Ciudadana*) formalised the third layer of governance, the *municipio* (municipality), with the election of local authorities taking on a range of local powers and some responsibility for managing resources. *Municipios* existed before 2010, with mayors appointed by the departmental governor. They had a mainly top-down function to implement departmental policies and priorities. The new law gave them more decision-making autonomy, and required the leadership of the *municipio* to be elected by local residents. The new law also articulated a range of principles for the *municipios*. These included: the efficient provision of state services, delivered closer to the people; the gradual transfer of powers to the *municipios*; citizen participation; and cooperation between municipalities for the delivery of services. The new law also defined the areas of public service that fall within the scope of a *municipio* or a *departamento* respectively. A principle of gradualism underpins these changes.

Structure and function of local governance

There are nineteen ‘departments’ (*intendencias*), which are subordinate to the central government. The role of departments is primarily to enforce national laws and administer national policies and institutions within their territories. They have traditionally been responsible for roads, transport, street lighting, public spaces, urbanization, housing, cultural activities such as theatres and museums, and the management and financing of some primary healthcare.

Executive authority is vested in a governor (*Intendente*), who administers the department, and in a thirty-one-member departmental board (*Junta departamental*), which carries out legislative functions including approval of the departmental budget. The governor and the members of the *Junta* are elected for five-year terms in direct, popular elections. According to an interviewee, whilst they are required to implement the national laws, departmental governments have considerable power and autonomy:

Some constitutional people, they say that they are like a king because their competencies are so wide and so unknown in some cases. They can do what they want to do. UR1.

The third layer of government, *municipios* or municipalities, are governed by elected municipal governments. In 2010 it was mandatory for locations greater than 5000 inhabitants to have a *municipio*, and in 2015 this was extended to all areas with more than 2000 inhabitants. Each *municipio* is run by a group of five elected representatives (*the junta local*), including an elected mayor (*Alcalde*). The mayor is the candidate who gains the most votes in the election of the *Junta*, and is the only remunerated member. Nevertheless, their role is the first among equals in a collective body, with all major decisions needing to be passed by a majority of the *Junta* members.

There are 112 registered municipalities across Uruguay. Three departments are fully subdivided into municipalities; the remaining 16 departments have some areas which are not covered by *municipios*. Around 20 percent of Uruguay’s territory is currently covered by *municipios*; this includes some 72 percent of the country’s population – with a significant bias towards urban populations.⁴⁸

Municipios have taken on a broad set of responsibilities, to a greater or lesser degree. Most have at least shared responsibility for the maintenance of public spaces and associated services such as lighting, waste collection and street cleaning. Many also have a role in collecting certain taxes and issuing official documentation, such as birth certificates or drivers' licences, on behalf of the department. Around half of *municipios* run social programmes in areas like health or old-age care, and almost all have taken on some responsibilities in relation to cultural or leisure provision such as libraries and sports facilities.

In Montevideo the structures of local governance are slightly different, reflecting the fact that the eight *municipios* created in Montevideo are extremely large.⁴⁹ There is an additional layer of governance – effectively a fourth tier – in the form of 18 zonal community centres (*Centros comunales zonales* – CCZs), which have responsibility for local service delivery, and corresponding *Consejos vecinales* (CVs) or community councils, which are filled with elected local residents. CVs do not hold decision-making powers but focus on citizen participation and gather public opinion to feed back to decision makers in the CCZ or the *municipio*.

Financial arrangements in local governance

Although there is an emerging process of decentralisation, Uruguay is still heavily centralised from a fiscal perspective. Between 1991-2017, more than 90 percent of national public spending was executed directly by the central government, with departmental governments responsible for just 10 percent.

Departmental governments have two main sources of income: national government transfers and local taxation. Direct conditional or unconditional transfers from the central government are to deliver agreed public goods or services for which departments are responsible. Departmental governments rely on central government for a high proportion of their income, and there are large differences between the ability of different departments to raise income locally. Central government funding accounts on average for 43 percent of departmental government income. The mechanisms used for determining the amount of central funding for each department are varied, and subject to some degree of political negotiation.

Departments raise income via local taxation powers or from devolved taxes fixed by central government but which they collect and use. Income sources include vehicle tax, property and related taxes, and fees for provision of services. Overall, there is a lot of variation between departmental income and their per capita spending. Between 2006 and 2014, average annual per capita spending in the lowest-spending department, Canelones, was 6655 Uruguayan pesos (about £134); in the highest-spending department, Maldonado, it was 23,562 pesos (about £474).

Municipios are financed directly from national government, and through budget allocations from departmental governments. National government funding to *municipios* is channelled via the Incentive Fund for the Management of Municipalities. Of this funding, 75 percent is allocated according to criteria which aim to allocate proportionately more money to *municipios* with higher levels of need. A further 15 percent of the total fund is allocated to *municipios* for projects and programmes, and on the basis of the

49 The *municipios* in Montevideo range in size from 147,000 to 207,000 population. The *Municipio Digital* platform, run by the presidential Office for Planning and Budgeting (OPP), contains current information about Uruguay's *municipios*. See: <https://www.municipios.gub.uy/municipios>

achievement of results and commitments. The size of the Incentive Fund has increased rapidly since its inception, rising from just under 100 million pesos in 2011 to its 2020 level of 1480.5 million pesos.⁵⁰ *Municipios* do not yet have the right to set local taxes, although they do collect some taxes on behalf of departmental governments. They do not have any source of income independent of central or departmental government.

Municipal spending accounted for around 13 percent of department budgets overall in 2018.⁵¹ Around 61 percent of municipal expenditure is used for remuneration of officials, with just 25 percent allocated to operations. According to one interviewee:

They have no proper money, ... and they do really what they can... The central government has been transferring money to do what they [central government] consider important things to do at the local level. UR1.

It is clear that there are still important challenges to be resolved in the distribution of money and competencies between the different levels of government, described by an interviewee:

The decentralisation is very important and... we don't [yet have a] law that reinforces both state politics and local politics... The decentralisation between first and second level of government about the competencies and about the budget... that is yet an issue that will be over the table in the next year. UR1.

Local democracy and politics

The 1996 constitution established that departmental elections and national elections would be held at different times. Previously, it had been obligatory for voters to vote for national and departmental candidates from the same parties. The reforms enable greater separation and differentiation of voters' preferences between national and local issues, and reduce the extent to which national political issues define local and regional elections. As one interviewee commented:

That was a very important reform because until that moment, the local agenda were tied, were contaminated by the national agenda. From that moment we have the possibility to discuss about local agendas. UR1.

Nevertheless, the high level of integration of the political parties at all levels means that voter preferences remain fairly stable, and that political party preference is a strong predictor of voter behaviour in both elections and in referenda and plebiscites.

The extent and rate at which Uruguay's *municipios* are developing to assume greater local powers is very diverse. The departmental political context is an important influencing factor on this. In particular, the department governor (intendentes) has a considerable influence on the rate and nature of development of the *municipios*, and the extent to which these are able to act autonomously. Department governors may consider municipal mayors as emerging political rivals, and their decisions about the devolution of resources and responsibilities to *municipios* may reflect this. They hold considerable discretionary power to limit the rate at which the third level of government develops.

50 See: <https://www.municipios.gub.uy>

51 See the October 2019 annual report on the development of the *municipios*, which presents data on funding and expenditure for 2018: https://www.municipios.gub.uy/sites/default/files/Informe%20Desarrollo%20Municipal%20octubre%202019_con%20anexos_0.pdf

In addition, political differences between the central government and departmental governments mean there has been a tendency for the central government to leapfrog the departmental governments to interact directly with *municipios*, which also creates tensions. As one of the interviewees described:

The national government are always trying to overlap the departmental level and go direct to the municipalities. That's... creating very high noise here because most of the departmental governments are of the opposition party. UR1.

Socio economic position and challenges

Uruguay stands out in Latin America for its high per capita income, relatively low levels of inequality and poverty and an almost complete absence of extreme poverty. Uruguayans have good access to basic services including education, clean water, electricity and sanitation. The country has strong institutional stability and low levels of corruption.

In July 2013, the World Bank classified Uruguay as a high-income country. Its economy grew on average by 4.1% annually between 2003-2018, despite a difficult regional macro-economic context. However, the average figures mask a significant slow-down in economic growth since 2014, with a drop in exports, and a resulting increase in fiscal deficit. Unemployment figures have increased. Concern about the current economic situation and rising crime were major factors in the 2019 presidential elections.

Inclusive social and redistributive policies have helped to ensure that the benefits of economic growth have supported poverty reduction and increased equality. According to official measures, the percentage of the population living in poverty fell from 32.5% in 2006 to 8.1% in 2018, while income levels among the poorest 40 percent of the Uruguayan population increased much faster than the average across the population.

Nonetheless, there are significant inequalities across the country. The proportion of the population below the poverty line is still significantly higher in the north of the country; among children and young people; and among people of African descent. The high level of concentration of population and resources in the capital, Montevideo, where almost 50 percent of Uruguay's citizens live, also creates challenges for equity and decentralisation. This has led to particular support for decentralisation outside of Montevideo. According to one of the interviewees:

Well, in fact, local government are very supported outside the capital city. Because, it is a worry that the central government is in Montevideo and so it will tend to make decisions for Montevideo. UR2

Another interviewee considered that the decentralisation process has not yet achieved a lot in changing this situation:

So the opportunities for people that live, for example, on the Brazilian/Uruguayan border, that is the poorest town of the country, are very less than if you live in the capital or the south or the Rio de la Plata... And the decentralisation has not solved [this]. UR1.

Citizen participation

Citizen participation in politics through elections and formal direct democracy is a well-established tradition in Uruguay. Voting in national elections and certain types of referendum is compulsory, which means that electoral turnout for national elections is high at around 90 percent. Any constitutional changes must be approved by the electorate through a plebiscite. Since 2003, there have been five constitutional referenda in Uruguay, all with high levels of participation. The constitution also allows citizens to propose popular initiatives in order to change or annul laws at both national and departmental levels, where these are backed by a certain percentage of voters registered in the relevant areas. In practice the passage of referenda and popular initiatives is highly dependent on the established political parties and their factions.

Citizen participation is one of the fundamental principles underpinning the formal establishment of *municipios* in Uruguay. However, in contrast with well-defined laws about elections and referenda, it is less clear how citizen participation at the level of the *municipios* is being defined and measured, or to what extent it is having an effect on local policies.

The Frente Amplio party has been instrumental in the creation of the *municipios*, and in promoting citizen participation in governance. These changes have been strongly opposed by the Colorado and National parties which have been concerned they would undermine representative democracy. In regions such as Montevideo, where the Frente Amplio has held power for longer, citizen participation is more advanced – for example through a long-established participatory budgeting process. In contrast, the expansion of citizen participation in areas governed by the Colorado or National parties has been more limited.

Municipios are required by law to make an annual public presentation to report on their achievements in relation to their commitments. They should also present their social programmes and plans in a public forum. How this should be carried out is at the discretion of the *junta local*. As one interviewee notes, this has led to wide variability in the level to which the *juntas* enact participation:

There are councils that tend to be innovative and tend to create participation mechanisms besides those stated by law. And there are other municipalities or local municipal councils that only implement what the law says. UR2

A 2016 review of the first five years of *municipios* asked respondents about their levels of participation in different types of public engagement. Eighty-seven percent of the respondents said they had never participated in any municipal meeting during the five years under review, and only three percent said they participated frequently or very frequently.

A 2002 review of processes of decentralisation in Montevideo suggested that although city services had improved since the Frente Amplio came into power, initial improvements in public participation in governance did not appear to have been sustained over the longer term. It regarded this as the result of changes to the structure of local governance arrangements, and particularly the introduction of formal governance at the level of the *municipio*. The author suggests that the introduction of additional levels of decision-making contributed to citizens' lack of confidence that they could influence government decisions.⁵²

52 Benjamin Goldfrank (2002), 'The fragile flower of local democracy: A case study of decentralization/participation in Montevideo', *Politics and Society* 30(1), 51-83.

More recently, Montevideans' interest in participatory budgeting has decreased over time. In 2006, 2200 proposals were submitted, compared with just 500 in 2016. Commentators suggest that this is because of the lack of execution of the accepted proposals. Similarly, analysis suggests that the lack of public interest in and knowledge of the work of community councils in Montevideo reflects a lack of real power for these institutions. Since 2004 there have also been declines in the number of people willing to stand for election to community councils, while the turnout for community council and municipal elections in Montevideo has also fallen.⁵³

Equally, interviewees suggested that the culture of participation varies depending on local factors:

The local culture, the participative culture and the history of participation, that has more to do with the thing... because sometimes you have two local governments that propose the same mechanisms, are doing similar things. But the response is different. UR2.

Uruguay's decentralisation and citizen participation processes are still in their early stages in many respects. It remains to be seen how the election of a National Party president taking office in 2020 will affect the further development of local democracy.

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