

THE CONGRESS OF LOCAL AND REGIONAL AUTHORITIES

Recommendation 362 (2014)¹ Adequate financial resources for local authorities

1. Article 9 of the European Charter of Local Self-Government protects the right of local authorities to adequate and commensurate financial resources of their own, within national economic policy.

2. However, recent Congress monitoring visits in the framework of the application of the European Charter of Local Self-Government have highlighted serious problems in some member States concerning the financial resources of local authorities, which are not limited to the effects of the financial crisis.

3. The Congress is also receiving an increasing number of complaints from national associations of local authorities concerning restrictions to local financial autonomy and resources.

4. A survey conducted by the Group of Independent Experts on the European Charter of Local Self-Government in 2013 reveals that, in a number of member States, the revenues of local authorities are so low that they are unable to finance their mandatory tasks and functions, suggesting that the national authorities in question are not respecting the commitments that they entered into in ratifying Article 9 of the Charter.

5. The Congress is aware that the Committee of Ministers, in its reply² to Congress Recommendation 79 (2000), shares its view that a proper balance needs to be found between the delegation of responsibilities to local authorities and the financial resources available to these authorities, whether through grants or taxation.

6. The Congress points out that:

a. Member States party to the European Charter of Local Self-Government have undertaken to provide local authorities with financial resources which are adequate and match the competences that they have been attributed; these financial resources should come partly from local taxes and charges, of which, within the limits of the law, they have the power to determine the rate;

b. local authorities should be consulted on the way in which redistributed resources are allocated to them;

c. the legal authority and responsibility to perform certain functions is meaningless if local and regional authorities are deprived of financial resources to carry them out;

d. Member States have considerable freedom to find a way to ensure adequate resources for local authorities and can

choose between central grants a share of national taxes, charges and fees for public services, local taxes, etc.;

e. most member States do not restrict how local authorities spend their financial resources, in theory, but in practice the majority of local revenues are spent on their own and delegated “mandatory tasks” and functions, leaving little for their own spending priorities.

7. The Congress is concerned that:

a. in many member States, local and regional authorities still do not have the power to determine the rate of local taxes or charges, within the limits of the law;

b. local authorities in some member States do not have enough financial resources to cover the mandatory tasks and functions allocated to them by national and regional authorities;

c. there is a tendency in some countries to recentralise tasks and finances in the name of austerity and rationalisation programmes, so that decisions are no longer taken at the level closest to citizens;

d. there are still member States which transfer competencies to the local and regional levels without the commensurate transfer of funds.

8. Bearing in mind:

a. Congress Recommendation 79 (2000) on the financial resources of local authorities in relation to their responsibilities: a litmus test for subsidiarity and the Deputies’ reply of 14 March 2001 which states that “the Committee of Ministers shares the view of the Congress that the right balance should be found between the implementation of decentralisation of responsibilities and the financial resources of local authorities”;

b. Committee of Ministers’ Recommendation Rec (2005) 1 on the financial resources of local and regional authorities, which contains guidelines for central authorities, and underlines the fact that local self-government implies a degree of financial autonomy;

c. Congress Recommendation 340 (2013) on local and regional authorities responding to the economic crisis;

d. the Kyiv declaration and Kyiv Guidelines, adopted by the Ministers Responsible for Local and Regional Government at their Conference in Kyiv (Ukraine) in 2011, calling for joint action by national governments and local and regional authorities in responding to the economic crisis;

e. Parliamentary Assembly Resolution 1886 (2012) on the impact of the economic crisis on local and regional authorities in Europe, and Resolution 1884 (2012) on austerity measures – a danger for democracy and social rights;

f. The overview of “recurrent issues” encountered by the Congress in the course of its monitoring activities, submitted by the Congress President to the Committee of Ministers on 13 December 2013;

9. The Congress therefore asks the Committee of Ministers to invite member States:

a. to ensure that :

i. decisions taken at national and/or regional level concerning the allocation of financial resources to local authorities are done so in a public and transparent manner;

ii. the balance between mandatory tasks and functions and the resources available to local authorities is regularly reviewed and discussed between the different levels of government concerned;

3. effective consultation mechanisms are established to ensure the views of local authorities are taken into account during budget planning;

b. to provide local authorities, within the national economic policy with;

i. adequate finances to meet mandatory tasks and functions;

ii. the powers to raise their own revenues, to match their responsibilities with respect to expenditure;

iii. the freedom to decide on expenditure priorities;

10. The Congress asks the Committee of Ministers:

a. to invite those member States which have not done so to consider ratifying Article 9.5 of the European Charter of Local-Self Government, which provides for the protection of weaker local authorities through the use of financial equalisation measures, to enable local authorities to provide a consistent level of public services;

b. to include, in its political dialogue with the Congress on the situation of local and regional democracy in Europe, the issue of adequate financial resources for local authorities, at least once during every Congress mandate (every four years).

1. Debated and approved by the Chamber of Local Authorities on 14 October 2014 and adopted by the Congress on 15 October 2014, 2nd Sitting (see Document CPL(27)2FINAL, explanatory memorandum), rapporteur: Gilbert Roger, France (L, SOC).

2. CM/Cong(2001)Rec79final.