

THE CONGRESS OF LOCAL AND REGIONAL AUTHORITIES

Resolution 372 (2014)¹ Adequate financial resources for local authorities

1. Effective local self-government requires adequate financial resources in order to manage a substantial share of public affairs under their own responsibility in a meaningful manner; that is to say, financial resources which are commensurate with the responsibilities attributed to local authorities by national and regional governments, whether in the constitution or by-laws and government decisions. The principle of connectivity – “who orders pays” – should, if possible, be anchored in national or federal State constitutions. The constitutional incorporation of that principle is the most powerful legal instrument to protect municipal interests. Article 9 of the European Charter of Local Self-Government protects the right for local authorities to have their own resources, which the Congress believes is a prerequisite to effective and accountable local governance.

2. The Congress has noted, through its country reports on the implementation of the Charter in member States and through complaints received from national associations, that many local authorities are facing increasing difficulties in covering their mandatory tasks and functions and few have the power to raise their own revenues, through charges and local taxes, or to determine their expenditure priorities.

3. A fundamental duty of local elected representatives is to make political choices by weighing the benefits of local authority activities against the cost to the local taxpayers and service users. These activities include the provision of local public services, as well as a range of other local authority responsibilities such as cultural activities and activities for integration and social cohesion. Although overall spending limits may be set at a national level, it should be borne in mind that local authorities are accountable first and foremost to their electorates for the services that they provide.

4. The Congress is concerned that in some member States the balance of central transfers has changed, with earmarked or ring-fenced transfers becoming increasingly dominant at the expense of general grants, which allow the local authority to decide at their own discretion where the money is spent. The result is that local authorities have too little room for manoeuvre when developing their policies and activities.

5. The Congress is also concerned about the tendency in some countries to recentralise powers and responsibilities

and the related financial resources in the name of austerity and rationalisation programmes.

6. The Congress, aware of the need to ensure that local financial resources are spent efficiently and effectively on local priority needs, welcomes improvements in financial methods and techniques to ensure value for money in the delivery of public services and functions, and resolves to encourage innovation, training and sharing of good practice in local financial management.

7. In December 2013, in the framework of its dialogue with the Committee of Ministers, the Congress identified the lack of adequate financial resources as one of the “recurring issues” it encountered in the course of its monitoring activities.

8. The Congress asks:

a. its Monitoring Committee to continue to bring to the attention of the Congress those countries which are in non-compliance with their commitments under Article 9 of the Charter and to undertake, where possible, post-monitoring and co-operation activities to improve the situation;

b. its Governance Committee to undertake, within the next four years, a review of those countries which are facing particular problems meeting their undertakings under Article 9, and to use the results of this exercise as the basis for discussions with the Committee of Ministers, in order to raise awareness of the need in Council of Europe member States to improve the consultation processes between the different levels of government to ensure a better match between responsibilities and resources;

c. its Governance Committee to present good examples of local authorities’ involvement and consultation in the procedures and processes of the distribution of tax revenues according to their responsibilities, as well as endowing local authorities with their own resources.

9. The Congress asks national associations of local authorities and the national delegations to:

a. continue to defend and explain the needs of local and regional authorities during national and regional budget negotiations and ensure that regular reviews are conducted of the actual costs of mandatory tasks;

b. continue to lobby for transparent and public publication of the criteria and methods used to calculate central transfers and financial equalisation in those countries where it does not yet exist.

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).