

Summary

Measurements for municipalities 2014

Municipal output and expenditure in the period 2007-2012

Local authorities important for service delivery

Dutch municipalities accounted for approximately 18% of total government spending in 2012. They played a particularly prominent role in spending on culture, recreation and housing, though a considerable share in total government was also spent on the environment (wastewater treatment and sewage), economic affairs and public administration (including civil affairs). Local authorities spend relatively little on national defence, social security, public health and education. The municipal share of government spending has changed little in recent years. Although local authorities have acquired additional tasks, expenditure that is typically borne by central government, especially spending on care, has risen faster than typical local authority spending.

Local authority expenditure has fallen in recent years

In 2012, total spending by all Dutch municipalities together for their citizens amounted to 51.4 billion euros. In real terms, local authority spending rose in the first part of the period studied, 2007-2012, and then fell back, giving rise to a Λ -shaped pattern. Over the period as a whole, spending in real terms remained unchanged on balance. In the period 2007-2009, expenditure rose by an average of 4.1% per annum, but began to fall at an accelerating pace from 2010. The average reduction in spending was 2.8% per year, though it was well below the average in 2010, at 1.2%, and substantially above the average in 2012, at 4.3%. This reduction in spending is linked to local authorities sharing in the drop in national government income due to the economic crisis (sharing the good times, sharing the bad times).

Slight fall in output

On average, the growth in output lags behind the growth in expenditure, with a discrepancy of around five percentage points over the period 2007-2012. This discrepancy is found in most sectors, and is greatest in the fields of sport and recreation (-12 percentage points), followed by civil affairs, administration and safety (-11 percentage points), education and culture (-8 percentage points), infrastructure and economy (-7 percentage points), the milieu and residential environment (-6 percentage points) and care and services (-4 percentage points). Employment and income is the only sector where output does not lag behind expenditure: here, output runs 10 percentage points ahead of spending. Output is generally measured directly in terms of the number of users of a service or amenity or the quantity of services delivered, but sometimes indirectly by correcting expenditure for increases in the price of the service or amenity in question. In a few sectors, the results are

linked to a sharp increase or contraction of an amenity or service which leads to a new equilibrium only after an extended period (hysteresis). It sometimes takes a while for an investment to pay back (Youth and Family Centres) or to compensate for a drop in demand (public libraries).

Cost price increases mainly in the period 2007-2009

The average increase in the cost price of municipal services is 1.1% per annum. This increase took place mainly at the start of the observation period, when cost prices rose by an average of 3.3% per year. 2010 marked a turning point, after which the average cost price fell by 0.7% per year. The increases of the cost price at the start of the observation period were due - among other things - to sharply increased spending on public order, a reduction in reported fires (with a slight increase in spending), higher spending on civil affairs, reduced demand for public libraries and swimming pools, lower public housing production, higher spending on youth health care (setting up Youth and Family Centres and digital personal child health records) and higher expenditure on economic activities (lots of money for the development of employment zones in view of the forthcoming crisis). Cost price increases are not unusual in sectors delivering labour-intensive services, such as care and education (Baumol's law), where automation and robotisation of the service is difficult.

No cutbacks in quality

Indications of a reduction in the quality of municipal services was found for only a few tasks. In this report, quality is measured mainly using opinions of inspectorates and clients. In most cases, there is little perceived change in the quality of service. Improvements in service are observed in civil affairs, secondary education, sport and recreation, social support, parking facilities and the municipal investment climate. Negative developments are observed in educational accommodation, where in the view of both staff and parents the state of maintenance of buildings leaves something to be desired in several respects.

Changes in municipal tasks reflected in cost prices

In the period 2007-2012, Dutch local authorities acquired new tasks involving total spending of 2.1 billion euros, but at the same time tasks to an amount of 3.4 billion euros disappeared – so a difference of 1.3 billion euros due to task changes. Local authorities acquired new tasks in relation to sheltered employment and youth health care, but saw their tasks reduce in areas including education (central funding increasingly goes direct to schools), public transport (regionalisation and public tendering) and civic integration of migrants (privatisation). The services and amenities associated with these task changes show a less favourable cost price development. If we leave the task changes out of consideration, the average increase in the cost price of municipal output of 1.1% per year turns into a reduction averaging 1.3% per year.

Less income from task-specific funding

The Dutch government has for a long time pursued a policy of giving greater autonomy to local authorities. One way of doing this is by limiting a number of specific government transfers to municipalities. The share of these transfers in total local authority spending fell from 23.1% in 2007 to 17.1% in 2012. The curtailing of this specific funding is offset by transferring the budgets concerned to the general municipal funds. Accordingly, the share of general transfers from the municipal fund increased from 25.4% in 2007 to 29.4% in 2012.

Land management still important

Municipal land management and development activities contribute 15% to task-specific local authority spending, roughly the same as income-related spending, which mostly comprises social assistance benefits. It is followed at some distance by social support (just under 10%), roads and water (9%) and environmental management (8%). Public transport is increasingly disappearing from the local authority spending picture, with a share of less than 0.5%. Social services (less than 1%) and civil affairs (1.5%) also place relatively little demand on local authority budgets.

Municipalities performing well

The purpose of this report is to pick up signals relating to a divergence between local authority output and expenditure. This creates greater clarity regarding the scope for existing and new municipal policy. The trend in municipal output generally lags slightly behind the trend in expenditure, but that is a general phenomenon in the public services sector. The biggest divergence between output and expenditure occurs where new tasks are acquired or existing tasks are disappearing. If we leave these out of the picture, we find a slight fall in cost prices during the period studied. Also reassuring is the fact that, where expenditure has fallen, there are currently no signs of diminishing quality or effectiveness of the services provided. We also see that where spending rises faster than output, this is often accompanied by the introduction or reinforcement of collective tasks ('prevention'), to which it is difficult to assign a specific output figure. This is the case, for example, with youth health care and public safety. The divergence between expenditure and output sometimes has to do with a fall in demand, as with public libraries, swimming pools, sports fields and public housing. Time will tell whether local authorities succeed in matching their expenditure to changing demand in these situations. The same applies for investments made by local authorities in employment zones in view of the economic crisis. All in all, the results described in this report contain few worrying signals about the output that Dutch municipalities are delivering with the public resources at their disposal.