

## **Evaluation of the Local Government Reform**

March 2013

## **Adjustment of the Local Government Reform**

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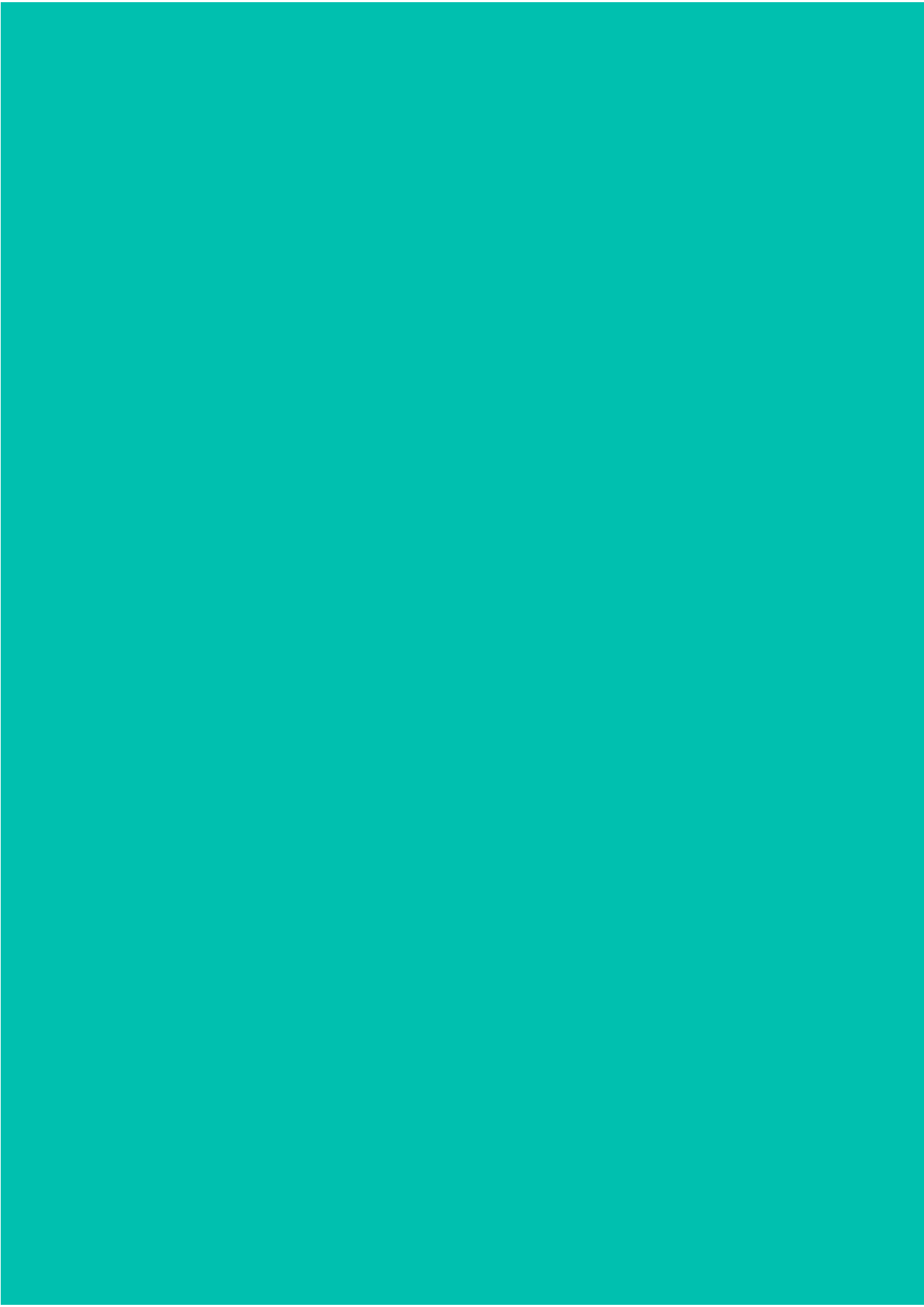
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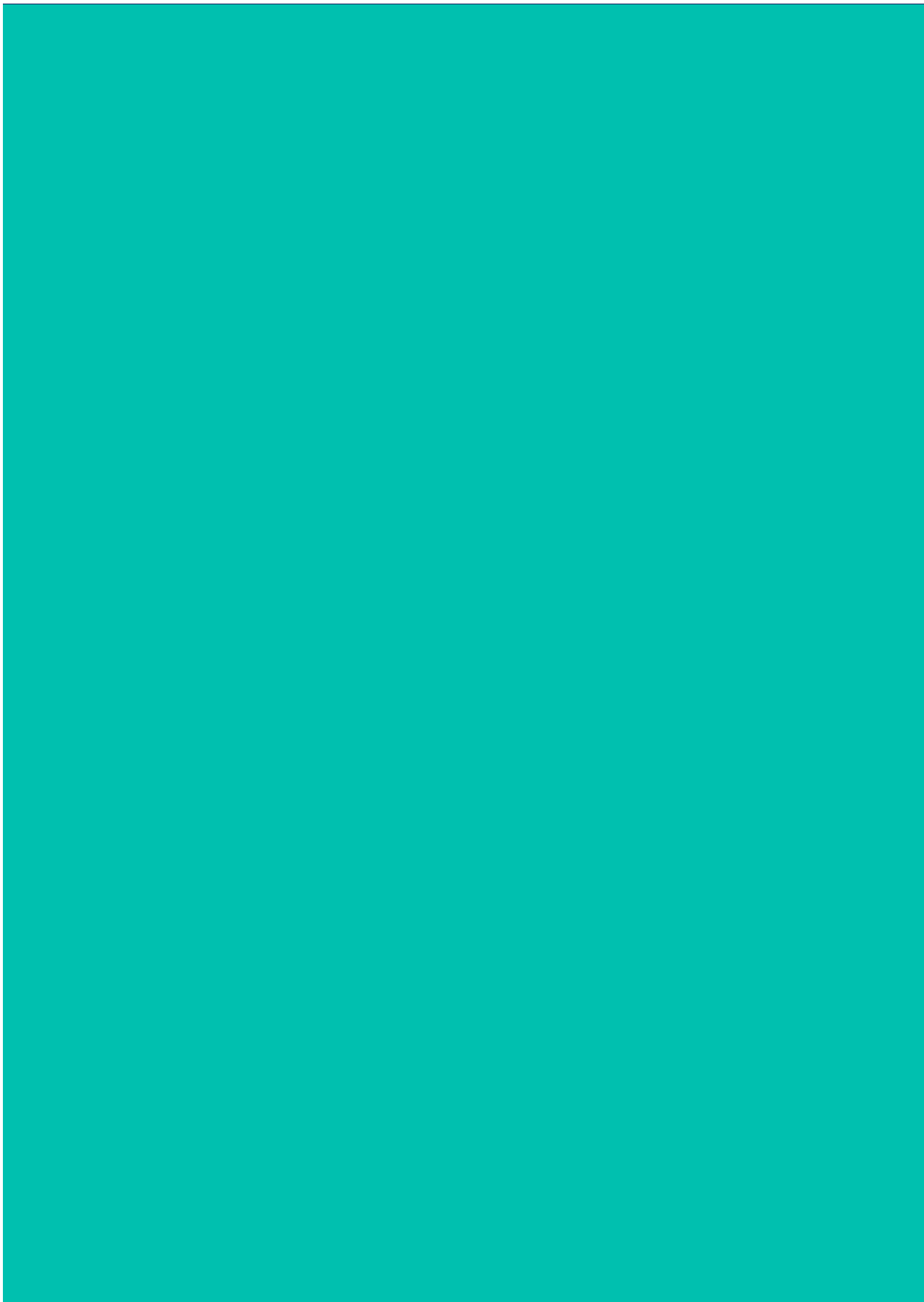
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# Evaluation of the Local Government Reform



# 1. Introduction

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## 1.1 Establishment of the committee

On 9 February 2012, the government established a committee for an Evaluation of the Local Government Reform with the aim of investigating the possibilities to better support an effective and modern public sector, which provides high quality services and is equipped for the challenges of the future.

The first task of the committee on the Evaluation of the Local Government Reform was to assess the current task distribution between municipalities, regions and state and to consider relevant adjustments of the task distribution. Secondly, the committee was given the task of assessing the existing cooperation structure and tools for coordination and control, etc. in the public sector and to consider possible adjustments of these.

The committee's mandate states the intention of the evaluation is to perform a service check of the current task distribution in the public sector. At the same time, it states that the intention is not to perform comprehensive changes to the task distribution between state, municipalities and regions.

## 1.2 The mandate for the committee on the Evaluation of the Local Government Reform

### **Background**

The Local Government Reform came into force on 1 January 2007. The reform entailed the reorganising of the fundamental configuration of the public sector in Denmark. Thus, a new municipal and regional map of Denmark was established and a new task distribution between state, municipalities and regions was implemented. A financing and equalisation reform was simultaneously implemented.

The municipalities were merged so there were 98 municipalities instead of 271. The larger municipalities have secured the basis for professional sustainability in relation to the task performance of the municipalities and the challenges looking forward. Furthermore, the new municipalities became the main access point for citizens to the public sector.

The counties were discontinued and five regions were established, the primary task of which is the responsibility for the operation and planning of the public health service. The fewer and more focused regions have supported the frameworks for the planning of the health service, including in regard to the implementation of a new hospital structure.

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The reorganisation in regard to the Local Government Reform involves new interfaces between three administration links and new cooperation bodies have also been established and new tools to ensure coordination across state, municipalities and regions.

In general, the Local Government Reform has ensured a clearer division of responsibilities in the public sector and the reform has consolidated the decentralised Danish model in which the decisions are made locally and close to the citizens as far as possible.

Five years after the commencement of the Local Government Reform, it is relevant to assess whether there are areas where there is a need to adjust the division of labour between state, regions and municipalities. It is also relevant to assess whether the cooperation across the new interfaces functions appropriately.

The government platform, *Et Danmark der står sammen (One Denmark standing together)* states that the government will perform an Evaluation of the Local Government Reform and the current division of labour between municipalities, regions and state. This will take place with, among other things, special focus on the healthcare area, the specialised social services area, the environmental area and the regional development.

Furthermore, the government platform states that the administration of nature areas will be included in the considerations on an adjustment of the structure reform.

Consequently, the intention is to perform a service check of the current handling of tasks in the public sector. However, the intention is not to carry out comprehensive changes of the task distribution between state, municipalities and regions and thus create uncertainty about the future task placement for employees and users in the public sector.

### **Task description**

The aim of the evaluation is to investigate the possibilities to better support an effective and modern public sector, which provides high quality services and is equipped for the challenges of the future.

On this basis, a committee has been established to evaluate the Local Government Reform. The committee will:

1. Assess the current task distribution between municipalities, regions and state and consider relevant adjustments to the task distribution.
2. Assess the existing cooperation structure and tools for coordination and control, etc. in the public sector and to consider possible adjustments of these.

The starting point of the assessment will be an analysis of relevant interfaces and challenges related to the new structure in the following task areas:

- The specialised social services area as well as specialised education programmes
- The nature and environmental area
- Regional development
- Healthcare area

In addition, the committee will analyse interdisciplinary problems for municipalities and regions and also assess the possibilities to support cost-effective municipal and regional task performance across the individual sector areas with the acquiring of economies of scale, etc.

In its assessment, the committee will place importance on supporting a high quality in the public services, efficiency, management and interdisciplinary prioritising, a clear division of responsibility between authorities and proximity for the citizens.

The financing systems behind the municipalities' and regions' handling of tasks will not be part of the evaluation. Moreover, the assessment will have its basis in the current municipal and regional structure.

It is presupposed that proposals for adjustments from the committee will be kept within the existing economic frameworks.

#### **Organisation and time plan**

The committee will be established with one representative from each of the following:

- Ministry for Economic Affairs and the Interior (chair)
- Ministry of Finance
- Ministry of Taxation
- Local Government Denmark (KL)
- Danish Regions

Sub-committees will be established for the committee within each of the selected four task areas.

The participants of the sub-committees will be the Ministry for Economic Affairs and the Interior, the Ministry of Finance, the Ministry of Taxation, Local Government Denmark and Danish Regions as well as relevant sector ministries. The work from the sub-committees will be included in an overall report from the committee. The sub-committees' work will therefore conclude at the latest 1 October 2012.

The committee will be attended to by the secretariat of the Ministry for Economic Affairs and the Interior as well as that of the Ministry of Finance. The sub-committees will be attended to by the sector ministry in cooperation with the Ministry for Economic Affairs and the Interior and the Ministry of Finance. In the sub-committees, the relevant departments of the ministries will have the main responsibility in order to contribute to the evaluation.

As part of the work and where relevant, meetings, hearings or similar will be held where trade unions and user organisations, etc. can contribute with their assessments and views. In addition, the committee can involve professional expertise in its work and requisition analyses, etc. The costs for this will be paid for within the ministries' own budgets.

The committee's work will be coordinated with other current and planned committee work on relevant areas, including for example, the committee on psychiatry of the future, the nature and agriculture commission and the work regarding a reform of social services.

The committee will be established in February 2012 and will conclude its work in January 2013.

The committee can submit a status report for the work in May 2012 prior to the discussions on the municipalities and the regions' economy for 2013.

### 1.2.1 Evaluation of the Local Government Reform on the healthcare area

#### **Background**

For the healthcare area, the Local Government Reform meant the establishment of five regional units with greater professional sustainability and with a more uniform focus on the healthcare task. The new regions and the future hospital structure provide the basis for high quality in hospital treatments.

The regions are responsible for the healthcare service, including the attending psychiatry as well as the medical practice sector, while the municipal areas, for example, include preventive care and health promotion aimed at citizens plus rehabilitation after discharge. The responsibility for patient-related preventive care is shared between municipalities and regions.

The Local Government Reform and the resulting task distribution between the hospitals, medical practitioners and municipalities make cooperation between the parties necessary. In order to support this, a mandatory cooperation between municipalities and regions has been established in the form of compulsory, regional healthcare agreements.

A structure has been determined within all five regions and associated municipalities which will support the cooperation, and specific cooperation agreements have been prepared.

The focus of the evaluation is to clarify possible interface problems across municipal and regional borders in relation to, among other things, preventive care, rehabilitation and the psychiatric area.

One main challenge in the healthcare area is to ensure a cost-effective health service that can deliver high quality healthcare services. At the same time, it is important to ensure cohesive continuity of care including in particular, the handling of medical patients, chronically ill and psychiatric patients. Among other things, this must be seen in the light of the need to manage a large group of citizens if health problems require treatment, care, etc. but which do not necessarily require treatment at a hospital.

In the light of the challenges the health service faces, it is essential to focus on realising the potential of cost-efficiency and cohesiveness. Released resources must strengthen the point-of-care work.

#### **Focus areas**

The Evaluation of the Local Government Reform in the healthcare area is based on a number of focus areas where patients cross sector or authority borders.

- *Interface problems between regions and municipalities in relation to the preventive care and follow-up work aimed at the patient.* Many patients are in repeated contact with the health services while they are also part of municipal preventive and care programmes and similar. Such transitions can mean problems for the patient. It must be assessed whether the task of creating cohesion and cost-effective continuity of care for, e.g. chronically ill or elderly patients is performed appropriately, including whether the current cooperation structures support the continuity of care to a sufficient extent. The regulating frameworks for this and the function of the healthcare agreements will be included. In connection with this, the cooperation with the medical practice sector will be assessed.

For example, the committee will base its assessment on results from the committee regarding the potential for improved municipal preventive work, which was included in the agreement on the municipalities' economy for 2012.

- *Rehabilitation after discharge from hospital,* including in particular whether the organisation and the current incentives function adequately with regard to ensure an effective overall task performance.
- *Interface problems between regions and municipalities in the psychiatric area.* Cohesion of the work for patients whose treatment programme cuts across the regional psychiatric treatment and the municipal social psychiatric care is key to the quality of the treatment and cost-effectiveness.

The subject will be analysed in the committee regarding persons with mental disorders.

- *Cross-regional cohesion and capacity utilisation* An assessment will be made of the frameworks to ensure good capacity utilisation and the spreading of new technology in the health services across regional borders. It is essential that a correct division of labour and capacity utilisation is ensured across regional borders and the spreading and standardisation of new technology. This will also include an assessment of the current cooperation in the healthcare IT area.

Among other things, the committee will base its assessment on results from the committee for improved incentives in the health services.

It is presupposed that proposals for adjustments from the sub-committee will be kept within the existing budget.

#### **Organisation and time plan**

The evaluation will be prepared by a sub-committee consisting of:

- The Ministry of Health (chair)
- The Ministry of Social Affairs, Children and Integration
- Ministry for Economic Affairs and the Interior
- Ministry of Finance
- Ministry of Taxation

- Local Government Denmark (KL)
- Danish Regions

The evaluation will be completed at the latest 1 October 2012 so it can be included in the overall report from the committee regarding the Evaluation of the Local Government Reform.

### 1.2.2 Evaluation of the Local Government Reform on the social services area as well as of the specialised education services

#### **Background**

With the Local Government Reform, the municipalities gained the authority and financing responsibility for both the social services area and for the special education area, which was previously shared between municipalities and counties.

This clear placement of the authority and financing responsibility with the municipalities contributes to support preventive care and holistic thinking in the work because, for example, the municipalities can more easily combine different kinds of social services for the citizens. Therefore, the Evaluation of the Local Government Reform has its starting point in the fact that the municipalities have the overall authority and financing responsibility for the specialised social services area and for special education.

The municipalities were also given the entire service provider responsibility on the social services area, in as much as the regions, however, have an obligation, according to the agreement with the municipalities, to establish a number of specialised social service programmes which were previously the responsibility of the counties. A municipality can choose to take over regional social services programmes that are located in the municipality. The municipalities have done so to a considerable extent, so the municipalities have now taken over, by far, the majority of the programmes on the specialised social services area.

On the special education area, a scheme was established similar to the social services area, in as much as the regions, however, were given the responsibility for passing on and developing the most specialised national and regional education programmes for children and adults.

The extent of the regions' service obligation is determined for both areas in the annual framework agreements between the local councils in the region and the regional council.

A regional knowledge and special consulting organisation (VISO) was established for municipalities and citizens as a support function in difficult individual cases. At the same time, the Tilbudsportalen (Gateway to Social Services) was created which provides a nationwide overview of municipal, regional and private programmes in the social services area.

#### **Focus areas**

For the Evaluation of the Local Government Reform it is relevant to focus on the supply of social services programmes and specialised education programmes. The individual municipality cannot run specialised programmes that satisfy everyone's needs, but must to a certain extent use programmes run by other municipalities, by regions or by private entities or enter

into cross-municipal cooperation. This presupposes that there is a sufficient supply of relevant programmes and a well-functioning cooperation between municipalities and regions.

The evaluation will direct focus to the following specific challenges:

- *Support of the specialised efforts.*  
To an increasing degree, the municipalities choose to bring their own citizens home from specialised programmes in regions and other municipalities and include them in local programmes instead. This has given rise to concern of whether there will be a sufficient supply of specialised programmes and skills in selected areas in the future. Therefore, the evaluation will map the development in specialised social and education programmes related to the professional development in the area. As part of this, it must be considered, for example, whether there is a need to support an increased coordination in relation to the supply of very specialised programmes in order to ensure that the necessary programmes are available to all municipalities.
- *Operation of programmes.*  
Challenges have become apparent in ensuring a market for social programmes that support cost-effective behaviour of the providers of programmes, including especially in cases where the entrepreneur does not finance the majority of the available places. Consequently, it must be assessed whether there is the possibility to ensure improved incentives for effective operation of the specialised social and education programmes. Furthermore, how the municipalities can be supported in choosing the most effective programmes must be assessed.
- *Placement of programmes.*  
There is a wide variety among the recurring regional programmes which the municipalities have not chosen to take over from the regions. It must be considered whether the current distribution of institutions between municipalities and regions should be retained, or whether there is a basis to establish a more uniform placement of the programmes in the social services area, also so that the individual programme has greater certainty of future placement.
- *Specialised educational programmes.*  
The evaluation will focus on the organisation of the specialised education programmes, including the current rate systems and the use of objective financing.

Furthermore, the evaluation must clarify the task placement of *family law*, which is currently attended to by public administrations. Over recent years, the area has grown to also include mediation and other forms of counselling in addition to juridical case processing. On this background, it must be assessed whether the task is appropriately placed today.

It is presupposed that proposals for adjustments from the sub-committee will be kept within the existing economic frameworks.

#### **Organisation and time plan**

The evaluation will be prepared by a sub-committee consisting of:

- The Ministry of Social Affairs, Children and Integration (chair)

- The Ministry of Education
- The Ministry of Health (chairman)
- The Ministry for Economic Affairs and the Interior
- The Ministry of Finance
- The Ministry of Taxation
- Local Government Denmark (KL)
- Danish Regions

The evaluation will be completed at the latest 1 October 2012 so it can be included in the overall report from the committee regarding the Evaluation of the Local Government Reform.

### 1.2.3 Evaluation of the Local Government Reform on the nature and environmental area

#### **Background**

Before the Local Government Reform, the tasks within the nature and environmental area were mainly shared between the counties and the municipalities – with only a few tasks for the state. Following the Local Government Reform, the responsibility for by far the majority of tasks was gathered in the municipalities. National and especially technically complicated tasks became, however, state tasks. Tasks regarding raw material planning, soil contamination and the new regional development plans were placed with the regions.

An entirely new legislation was also implemented regarding environmental approval of stock-farming, which came into force at the same time as the reform came in to force. Parallel with this, several EU directives on the water and nature area were implemented.

Ultimately, the municipalities took over a significant part of the counties' tasks within the physical planning, while the regions were given the task of developing a new type of plan; the regional development plan.

#### **Focus areas**

In many areas, the responsibility for the nature and environmental area is shared especially between the state and the municipalities. On this basis, it is relevant to evaluate the interfaces of the task performance and the possibilities for cooperation across municipal borders with a view to ensuring a cost-effective implementation of objectives in terms of environmental policy within the existing economic frameworks. The evaluation will have particular focus on the municipal tasks in the water and nature area as well as approval and inspection.

#### *Water and nature efforts*

- *The nature effort:* The municipalities' nature efforts comprise partly the Natura 2000 work, which to a high degree is controlled by objectives at EU level and the actual natural areas can cross municipal borders, partly by administration and authority tasks determined at national level. The Natura 2000 work is linked together with the municipalities' other administration and authority tasks on the nature area, including the municipalities' administration of Section 3 nature. The advantages and disadvantages of the current placement of the task will be analysed. Interface problems in relation to the municipalities' other tasks on the nature area will also be analysed.

- *Wetland efforts:* Wetland projects are financially heavy and complex in terms of administration. A separate administration model for wetland efforts has been formed, in which the responsibility is shared between the state and municipalities. The municipalities are responsible for establishing approx. 10,000 hectares wetlands before 2015. In connection with the 2012 Budget, the government has decided to establish national wetlands. How the wetland efforts, as a whole, can be best managed will be analysed.
- *Watercourses:* The municipalities attend to the continuous control and operation pursuant to the Watercourse Act and a special effort according to the national water plans. Parts of the effort according to the water plans are very closely linked to the other watercourse tasks and should therefore be seen in relation to this. Among other things, this applies to the work regarding changed watercourse maintenance. Other efforts according to the national water plans, e.g. removal of barriers and opening of drained stretches, has more the character of construction work and the proper administration level can therefore be considered. The advantages and disadvantages of the current placement of the task will be analysed further.
- *Ground water:* Up to the end of 2015, the Danish Nature Agency will be conducting a detailed mapping of the ground water within areas with special drinking water interests and recovery hinterlands for ordinary water supplies. The organising of maintenance of the mapping after this point in time has not been determined. The advantages and disadvantages of scenarios for further processing and comparison of data on the ground water area after 2015 will be analysed and any challenges in relation to the data part up to 2015 will be investigated.

#### *Environmental approvals and inspections*

- *Approval and inspection of enterprises:* With the Local Government Reform, the state became the approval and inspection authority for the largest and most complex types of enterprises, while the municipalities became the authority for the remainder. However, this distribution does not follow the EU directives' categorisation of the enterprises. The centralisation has ensured equal case processing of the largest and most complex enterprises. The municipal administration ensures local knowledge of smaller enterprises. In addition, the shared competence between the state and the municipalities for waste disposal sites has raised interface problems in practice. The advantages and disadvantages of the various limitations between the state and the municipalities' tasks and the possibilities of cooperation across municipal borders will be analysed.
- *Approval and inspection of stock-farming:* Criticism has been voiced about the administration of stock-farming cases due to, among other things, the long processing time. This is because of the complex legislation and that some municipalities have very few cases. Approximately 20 percent of the municipalities' decisions on the stock-farming area are appealed against and up to now, the cases have, to a greater extent, been returned to the municipalities for renewed processing. It will be analysed how the task can be organised most appropriately, including with a view to supporting more effective case processing.



*Other*

- *Raw materials (including soil)*: The raw materials area is shared between municipalities and regions so permits for raw material recovery are given by the municipalities, while the overall planning is done by the regions. The current task distribution involves that an overlap of the performance of tasks between municipalities and regions can occur. The advantages and disadvantages of the current placement of the task will be analysed.

It is presupposed that proposals for adjustments from the sub-committee will be kept within the existing economic frameworks. It is noted that discussions are in progress between the Danish Ministry of the Environment and Local Government Denmark about the administration costs connected to the task according to the water and nature plans.

**Organisation and time plan**

The evaluation will be prepared by a sub-committee consisting of:

- The Ministry of the Environment (chair)
- The Ministry for Economic Affairs and the Interior
- The Ministry of Finance
- The Ministry of Taxation
- Local Government Denmark (KL)
- Danish Regions

The evaluation will be completed at the latest 1 October 2012 so it can be included in the overall report from the committee regarding the Evaluation of the Local Government Reform. The sub-committee will submit a report, as far as the water and nature effort is concerned, in May 2012 prior to the discussions on the municipalities' economy for 2013.

#### 1.2.4 Evaluation of the Local Government Reform regarding regional development

**Background**

The area for regional development regards, among other things, tasks within public transport, business development, soil contamination, education and culture. The regions prepare regional development plans that have the aim of promoting the overall regional development across sectors. The Evaluation of the Local Government Reform, as far as regional development efforts are concerned, will in addition to the overall regional development plans, primarily focus on the regional business development.

Prior to the Local Government Reform, it was to a great extent, voluntary for counties and municipalities to choose how they prioritise local business efforts. The voluntary principle entailed lack of clear division of labour between the counties and municipalities in the business area and that their activities often overlapped. Moreover, there were big differences as to how the effort was prioritised in different parts of the country. The consequence was dissimilar efforts and the initiation of many small projects without one actual strategy.

The Local Government Reform involved a clarification of the division of responsibility on the business development area. Following the reform, the responsibility for business service

passed on to the municipalities. The municipalities attend to this partly under the auspices of the local business service which, for example, includes information and guidance about the start-up, operation and development of a business. Added to this are the municipal-owned growth centres, which primarily focus on enterprises with growth potential.

Each region has established a growth forum consisting of representatives from the local business sector, the labour market parties, municipalities, knowledge and educational institutions and the regional council. The Capital Region of Denmark has established two growth forums: one for Copenhagen and one for Bornholm. The growth forums have the task of monitoring the regional and local growth conditions and to compile a regional business development strategy based on the region's business specialisation and regulatory framework. Starting with the strategy, the growth forum provides recommendations to the regional council on the use of the funds the region holds for business purposes (approx. half a billion Danish Kroner for the five regions altogether) and for the state on the prioritising of the EU Structural Fund (approx. half a billion Danish Kroner annually 2007-2013).

The state continues to attend to the overall growth policy, including inter-disciplinary coordinating with relevant sector policies.

#### **Focus areas**

On the regional development area, the Evaluation of the Local Government Reform includes the interdisciplinary, regional development plans and, specifically, the area for regional business development. The basis of the evaluation of the regional business development effort is the Local Government Reform's aim of, among other things, to ensure a clear placement of responsibility and division of labour on the business policy area, a more strategic and focused use of the EU Structural Fund and the regions' business development funds. The following specific focus areas will be looked at:

- *Distribution of tasks in the business development effort*  
An evaluation of the distribution of tasks will be conducted between state, regions (growth forums) and municipalities on the business development area. The evaluation will clarify whether a clear placement of responsibility and task distribution between the individual players and the business development area has been created with the Local Government Reform. The evaluation will include whether there continues to be a task overlap and if there may be need for further adjustment of the task distribution with a view to ensuring an effective and cohesive performance of the tasks in the area.
- *Evaluation of the efforts of the regional growth forums*  
A mapping and evaluation will be carried out of the efforts for growth and business development in the regional growth forums, which were established with the Local Government Reform with a view to supporting a strategic utilisation of business development funds. Among other things, the evaluation will clarify the regional growth forums' prioritising of business development funds (the EU Structural Fund as well as regional funds), including if a basis for a more strategic, cohesive utilisation has been created with the Local Government Reform.

- *Administration expenses*  
A mapping and evaluation will be carried out of the regions' expenses for administration of the regional development area, including primarily administration of the business development area (operation of growth forums, etc.). As part of this, the mapping will clarify the extent of resources that are used to prepare strategies, action plans, secretariat servicing of the growth forum, etc. in the individual regions with a view to assessing whether the funds that are used on administration can be used more effectively on the whole.
- *Regional development plans*  
An analysis of the past experiences with regional development plans will be conducted.
- *Evaluation of the municipalities' case processing*  
The municipalities' case processing targeting businesses will be mapped and assessed as far as time and charges, etc. are concerned.

#### **Organisation and time plan**

The evaluation will be prepared by a sub-committee consisting of:

- The Ministry of Business and Growth (chair)
- The Ministry for Economic Affairs and the Interior
- The Ministry of Finance
- The Ministry of Taxation
- The Ministry of the Environment
- The Ministry of Employment
- The Ministry of Housing, Urban and Rural Affairs
- Local Government Denmark (KL)
- Danish Regions

It is presupposed that proposals for adjustments from the sub-committee will be kept within the existing economic frameworks.

The evaluation will be completed at the latest 1 October 2012 so it can be included in the overall report from the committee regarding the Evaluation of the Local Government Reform.

### 1.3 Composition of the committee

The committee for the Evaluation of the Local Government Reform comprises the following:

- Head of government agency Thorkil Juul (chairman)
- Senior economist, Jan Olsen, Local Government Denmark
- Managing Director, Adam Wolf, Danish Regions (until 1 April 2012 appointed managing director ad interim, Lone Christiansen, Danish Regions)
- Deputy Permanent Secretary, Niels Jørgen Mau, the Ministry for Economic Affairs and the Interior
- Deputy Permanent Secretary, Jens G. Clausen, Ministry of Finance
- Group Director, Jesper Skovhus Poulsen, Ministry of Taxation (up to 31 October 2012)

- Deputy Permanent Secretary, Jens Lundsgaard, the Danish Ministry of Business and Growth (from 1 November 2012)

The secretariat for the committee has been attended to by the Ministry for Economic Affairs and the Interior in cooperation with the Ministry of Finance. The management of the secretariat has been attended to by Head of Department, Søren H. Thomsen, the Ministry for Economic Affairs and the Interior and Head of Department, Søren H. Hede, the Ministry of Finance.

## 1.4 The committee's work

The committee for the Evaluation of the Local Government Reform has held 15 meetings in the period from 9 March 2012 to 22 February 2013.

The committee has based its work on a number of sources. To begin with, the work is based on reports from the four sub-committees regarding the four selected task areas:

- Healthcare area
- Social services area and the specialised education programmes
- The nature and environmental area
- Regional development

The sub-committees have had analyses prepared, to various extents, which are included in their reporting to the committee.

In addition, the committee's work builds on a number of analyses prepared by KORA (The National Institute for Municipalities' and Regions' Analysis and Research). The analyses cover the following:

- The former counties' administration buildings
- The municipalities' administration buildings
- The municipalities' administrative resource consumption 2007-2011
- The municipalities' school structure 2004-2011
- Overview of research and analyses in relation to exposure to competition in municipalities and regions after the Local Government Reform
- The regions' administrative resource consumption 2007-2011
- Development of exposure to competition in municipalities and regions in connection with the Local Government Reform
- The development in the structure of the public day-care facilities area 2004-2011

Furthermore, the committee has included available relevant literature, reports, etc.

The committee has also held a number of hearings with selected organisations, researchers in the municipal and regional area, mayors and chief executives of local authorities as well as all regional council chairpersons and regional directors. In April 2012, five hearings were held with the participation of representatives from the following organisations:

- The Danish Confederation of Professional Associations (AC)
- The Danish Society for Nature Conservation
- The Danish Growth Council
- The Danish Construction Association

- The Danish Chamber of Commerce
- The Danish Disabled Organisations
- Danish Patients
- Danish Raw Materials
- Danske Tale-, Høre- og Synsinstitutter (Danish Speech, Hearing and Vision Institutions)
- Det Grønne Kontaktudvalg (The Green Contract Committee)
- The Social Network
- Confederation of Danish Industry (DI)
- DOF (The Danish Ornithological Association)
- The Danish Bankers' Association
- Foreningen af Danske Døgninstitutioner for børn og unge (FADD) (Association of Danish 24-hour Care Centres for Children and Youngsters)
- The Danish Outdoor Council
- FTF – Confederation of Professionals in Denmark
- The Danish Federation of Small and Medium-sized Enterprises
- Danish Agriculture & Food Council
- Landsforeningen af opholdssteder mv (LOS) (National Association of Residences)
- LO – The Danish Confederation of Trade Unions
- Danish Medical Association
- Rådet for Socialt Udsatte (Council for the Marginalized)
- Rare Disorders Denmark
- The National Federation of Social Educators
- Danish Association of Social Workers
- Sundhedskartellet (The Health Syndicate)
- DaneAge Association

On 31 August 2012, a hearing was held with participation of the following researchers:

- Professor Jens Blom-Hansen, Aarhus University
- Program Controller, Kurt Houlberg, KORA (The National Institute for Municipalities' and Regions' Analysis and Research)
- Lecturer, Head of Department, Thomas Pallesen, Aarhus University
- Professor Kjeld Møller Pedersen, University of Southern Denmark

In August to September 2012, four hearings were held with the following representatives from the political and administrative level in municipalities and regions:

- Mayor Kirstine Bille, Syddjurs Municipality
- Mayor Erik Christiansen, Nyborg Municipality
- Mayor Egon Fræhr, Vejen Municipality
- Mayor Anny Winther, Rebild Municipality
- Regional Council chairman, Ulla Astman, North Denmark Region
- Regional Council chairman, Bent Hansen, Central Denmark Region
- Regional Council chairman, Carl Holst, Region of Southern Denmark
- Regional Council chairman, Steen Bach Nielsen, Region Zealand
- Regional council chairperson, Vibeke Storm Rasmussen, Capital Region of Denmark
- Chief Executive, Benny Balsgaard, Faaborg-Midtfyn Municipality

- Chief Executive, Jann Hansen, Silkeborg Municipality
- Chief Executive, Bjarne Pedersen, Rudersdal Municipality
- Chief Executive, Tomas Therkildsen, Vordingborg Municipality
- Regional Director, Jens Andersen, Region Zealand
- Regional Director, Per Christiansen, North Denmark Region
- Regional Director, Mikkel Hemmingsen, Region of Southern Denmark
- Regional Director, Bo Johansen, Central Denmark Region
- Regional Director, Helle Ulrichsen, Capital Region of Denmark

The hearings have contributed with perspectives and these have been included in the committee's work.

Finally, the committee has received a number of enquiries from interest groups, associations and others, which have likewise been included in the committee's work.

In this report of the work, the committee has chosen to divide its evaluations into five parts – the selected four task areas as well as selected interdisciplinary problems for municipalities and regions.

For each of the four task areas, there is an introduction with a description of the specific task and the development in the area after the Local Government Reform. The identified challenges are then described. Finally, the committee's evaluations and various proposals are described for possible adjustment of task placement, cooperation relationships and coordinating, etc. illustrated with advantages and disadvantages.

In its evaluation, the committee will, according to the mandate, place importance on supporting high quality in the public services, efficiency, management and interdisciplinary prioritising, a clear division of responsibility between authorities and proximity for the citizens.

It must be mentioned that the committee has chosen to expand the original sub-mandate for the evaluation of the nature and environmental area to also include the management and comparison of data on the groundwater area.

In relation to the interdisciplinary problems for municipalities and regions, the committee has chosen to focus on a number of issues where the Local Government Reform has expected to lead to development in the direction of higher quality/higher professional sustainability, more efficiency and interdisciplinary prioritising.

Specifically, the committee has chosen to deal with the following interdisciplinary issues:

- Development in political governance
- Development in professional and economic sustainability
- Development in administration structures in municipalities and regions
- Development in administrative resource consumption in municipalities and regions
- Development of administration buildings
- Development in the structure of day-care institutions, schools and hospitals
- Development in public-private cooperation

## 2. Summary

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The committee has carried out an Evaluation of the Local Government Reform from 2007 with special focus on the healthcare area, social services area and the specialised education programmes, nature and environmental area as well as the regional development, cf. the mandate.

The aim of the evaluation is to investigate the possibilities to better support an effective and modern public sector, which provides high quality services and is equipped for the challenges of the future.

The committee has conducted analyses of the mentioned areas, as stated in the mandate, of the interfaces and challenges related to the new structure. Moreover, the committee has analysed a number of interdisciplinary issues for municipalities and regions.

On the basis of the analyses, the committee has identified a number of challenges on the selected task areas.

With the basis in the mandate, the committee has conducted a number of assessments and in continuation of this, has listed a number of recommendations and proposals, including in some areas described several alternative proposals, with the aim of supporting high quality in the public services, efficiency, management, interdisciplinary prioritising, a clear division of responsibility between authorities and proximity for citizens.

Thus, the proposals incorporate adjustments of the task distribution as well as adjustment of cooperation relationships/coordinating and possibly adjustment in financing. If relevant, the advantages and disadvantages of the proposals have been reviewed.

### 2.1 Overall Assessment of the Local Government Reform

The committee's assessment, on the whole, is that the Local Government Reform has created a framework for a more robust public sector, which is more able to meet the current and future challenges.

One of the key interdisciplinary goals of the reform was to create municipalities and regions with greater professional and economic sustainability. Moreover, there was an expectation that the Local Government Reform would support a cost-effective task performance with the acquiring of economies of scale, etc. At the same time, it was pointed out by the Structural Commission that full utilisation of the potential of a reform will entail considerable changes to organisation, management, etc.

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On the background of the committee's analysis, the assessment is that municipalities and regions are currently executing the mentioned objectives from the time the reform was introduced. However, not every aspect of this development can be closely linked to the reform.

The professional sustainability has been strengthened in general and, in some areas, has contributed to innovative task performance and increased quality. The financial sustainability has also been strengthened as more economic robust units have been created.

The committee also finds that there continue to be unutilised potential for both streamlining and quality development, which is still important to focus on achieving in future years.

Furthermore, the committee's assessment is that the reform has strengthened the political governance in municipalities and regions. Today there is more focus on general policies and strategies while there is less focus on the processing of individual cases. This development towards general management is considered to be necessary in order to ensure acceptable conditions for local councils. The volume of cases in an average municipality today is large and it is difficult for members of the local councils to become familiar with the details of all cases. Following the Local Government Reform, fewer municipal politicians will thus cover more task areas. Additionally, the tasks and working conditions for regional council members was changed as a consequence of the larger units.

### 2.1.1 Statutes regarding administration in the regions

On the basis of the hearings which the committee has conducted in connection with the evaluation, the view is that the flexible executive committee administration generally functions well. From the indications at the hearings, the committee has also considered the options for adjustments of certain statutes concerning administration of the regions.

The committee recommends that, without prior approval from the Ministry for Economic Affairs and the Interior, the regions are given the opportunity to establish permanent committees that either take part in the immediate administration of the region's affairs or not. In this regard, it is also recommended that the regional councils are given the possibility to provide remuneration to members of possible special committees without the requirement that the committees must have an intermediate character.

The committee has also considered adjustments to the regions' access to create cooperation and perform tasks for other public authorities. In this context, the committee recommends that the Danish Health Act be relaxed so that the regions' participation in companies, etc. covered by the Danish Health Act no longer requires prior minister approval. In addition, the committee recommends that the so-called Act 548 on the municipalities' execution of tasks for other public authorities and the municipalities and regions participation in companies is changed so that regions are given the same opportunities as municipalities to perform tasks for other public authorities, which they can perform for themselves.



### 2.1.2 Assessment of the Local Government Reform on the selected task areas

The Local Government Reform entailed that the responsibility for a large number of tasks is moved around between the state, the municipalities and the new regions. There is agreement in the committee that the current division of tasks on the selected task areas is predominantly well-functioning, but there are still interfaces across authorities and sectors that must be dealt with.

The committee assesses, furthermore, that there are isolated areas where it can be relevant to consider proposals for task adjustments. In this regard, the committee has listed a number of proposals which, in specific areas, accommodate different models for task adjustments.

The Local Government Reform also entailed the establishment of new cooperation structures and new tools for coordination and administration in the public sector. The committee finds that in several of the selected task areas, there is a need to consider adjustments of these with a view to meeting the identified challenges.

The following is a summary of the committee's assessments and proposals for the individual task areas.

## 2.2 Healthcare area

Due to the Local Government Reform healthcare programmes closely linked to the citizen's daily life, came in closer proximity to the citizen while the specialised treatment was brought together in fewer units. The aim was also to create the setting for a more cohesive rehabilitation effort across the various sectors in the municipalities.

The division of the healthcare tasks between municipalities, regions and the medical practice sector has created new interface problems and makes demands on cooperation across authority and sector borders. At the same time, a key challenge is that in the future, the health service will be exposed to increasing pressure due to more elderly and more patients with chronic illnesses. The new challenges must be solved within narrow limits for growth in the health service and thus requires, to an even greater extent than previously, a health service that can deliver the most possible value.

Generally, the committee finds that the administration and financing models in the regions, at hospitals and in the medical practice sector, including general practice, must support cohesive and effective patient treatment. In this connection, the committee finds that the payment systems currently do not have elements that encourage sufficient focus on quality and cohesive continuity of care. Regarding the question of incentives in municipalities and regions, the committee notes that the topic is being dealt with in the Committee for improved incentives in the health service.

The committee points out, however, that an evaluation of the municipal co-financing should be conducted when the revised regulations have worked for a period. Additionally, the committee proposes that under the auspices of the Incentive Committee, the settlement in rela-

tion to care programmes for chronically ill and elderly medical patients is based more on the total course of events than payment per hospitalisation/contact.

### 2.2.1 Healthcare agreements and cooperation with general practice

The Danish Health Act entailed the introduction of requirements that regions and municipalities must enter into healthcare agreements on the cooperation and coordination of tasks in the healthcare area across sector and authority borders. The management basis for general practice was transferred from the counties to the regions.

#### Challenges

The committee finds that the healthcare agreements in their current form and implementation have a number of weaknesses in relation to ensuring interdisciplinary cooperation and coordination between municipalities and regions.

There is a general need to further develop the mandatory focus areas in the healthcare agreements so they can be adapted to a higher degree and be focused towards the general tendencies in the health service. Currently, 98 healthcare agreements exist – one for each municipality. This provides the basis for great variation between the agreements, which can make crosswise cooperation difficult, cause sizeable disparities in the programmes and lead to a large resource consumption.

At the same time, the committee finds that there is a need to strengthen the cohesion between general practice and the rest of the health service, but that the necessary prerequisites are not in place with the current regulation of general practice.

#### Assessments and proposals

The committee has submitted a number of proposals to strengthen the healthcare agreements. For example, setting new mandatory focus areas is proposed with focus on the increasing chronic illness challenge, patient-directed preventive care and health IT. At the same time, it is recommended that only one healthcare agreement for each region is prepared in future – with the option to include supplementary elements for the individual municipality.

The committee also proposes to strengthen the implementation of the healthcare agreements by, among other things, developing national indicators for the healthcare agreements mandatory focus areas, with focus on cross-sectional continuity of care as well as by committing regions and municipalities to set up specific objectives and ensure follow-up.

General practices perform a key task in the health service. However, the committee assesses that there is potential to improve the cohesion between general practice and the rest of the health service.

The committee proposes to strengthen the integration of general practice in the regional health service as well as in the municipal health and preventive care effort. For example, this will involve a strengthening of the public sector's possibilities of defining the tasks of general practice as an integrated part of the overall health service. At the same time, there is a need

to strengthen the regions' planning competence so the regions can organise medical coverage and ensure medical coverage in rural and remote areas.

Moreover, it is recommended that the regions' financial management be strengthened in relation to general practice and ensure that general practice also contributes to productivity improvements. Finally, the committee proposes a strengthening of the regions' access to quality data and information about services in general practice with a view to increasing transparency, quality development and follow-up on whether the individual practitioner delivers the services that are agreed.

### 2.2.2 Health IT

Well-functioning health IT solutions are an essential tool to ensuring safe and cohesive, high quality patient treatment across the health service's sectors. Increased digitisation can also contribute to creating easier procedures for personnel and contribute to a more efficient utilisation of resources in the health service.

#### Challenges

The committee has identified challenges with securing progress in the spreading of the necessary IT solutions, which support the clinical workplace and communication between the players, including the exchange of patient data.

#### Assessments and proposals

The committee has assessed that there is a need for increased progress and more focus on the utilisation of IT solutions at hospitals. The proposal from the committee is that the regions and municipalities strengthen the transparency by determining indicators and objectives for the use of relevant IT systems as well as strengthen the work with putting clinical workplaces into operation and phasing out inappropriate IT solutions.

There is also the potential for a strengthened effort for cross-sector communication, improved monitoring, greater transparency in relation to progress as well as more consistent acquisition of gains of IT systems across all sectors. In this regard, the committee recommends a prioritising of procurement, development and operation of joint cross-regional IT solutions as well as increased cooperation around the setting of healthcare content.

The committee proposes that the work, in general practice and municipalities, to fully roll-out the Shared Medical Record (FMK) and to commence using it is given greater priority plus that cooperation models are established between all parties.

Finally, the committee recommends that NSI's (National Health IT) work, together with the regions, to establish a joint public IT infrastructure on the healthcare area is improved and the role of the board for national health IT is strengthened and made clear.

### 2.2.3 Patient-directed preventive care and follow-up efforts

Preventive care aimed at patients has the aim of preventing the further development of an illness and to try to limit the possible complications of an illness. The effort is primarily aimed at elderly medical patients and persons with chronic illnesses. These patient groups are often

characterised by longer interdisciplinary and non-linear care with changing needs for programmes at hospital, in general practice and in the municipal health service.

Following the Local Government Reform, patient-directed preventive care, in accordance with the Danish Health Act, has become a shared responsibility between the municipalities and the regions.

### **Challenges**

The committee has identified a number of challenges in relation to creating improved interdisciplinary cohesion and more efficiency in the patient-directed preventive care efforts. At the same time, there is a challenge to ensure that the professional competence and the organisational set-up are in place in the municipalities. The challenges are enhanced by the growing number of elderly and persons with chronic illnesses. There is likewise a challenge with the current regulation that obliges medical practice in relation to cross-sectorial efforts.

In general, the committee finds that there is a need to strengthen the cross-sectorial cooperation on patient-directed preventive care and to strengthen the professional effort in the municipalities.

### **Assessments and proposals**

The patient-directed preventive care must be organised once there is the necessary professional sustainability and cohesion in continuity of care. As far as possible, the effort must also be implemented according to the LEON principles (lowest effective cost level).

With the aim of strengthening the cooperation between hospitals, municipalities and general practice, the committee recommends that municipalities and regions continue working with organisational models which, for example, support continuity of care across sectors. At the same time, there is a need to assess possible legislative barriers to information exchange more closely. Preparation of and follow-up on care programmes is also recommended to be included as part of the healthcare agreements.

In order to strengthen the professional competence in municipal efforts, the committee proposes, among other things, that greater flexibility is created in relation to drawing on each others' competences across the health service and that the regions' counselling obligation is systematised and targeted towards the municipalities' needs for counselling. In addition, the municipalities and general practice to a higher degree must gain knowledge of and make use of the knowledge of the programmes that are available. Furthermore, the committee recommends that registration and documentation of the patient-directed preventive care is done and that in individual municipalities a better cohesion in the municipal task performance is ensured with the aim of strengthening professional competence and creating a more flexible performance of tasks in the patient's own home.

#### **2.2.4 Rehabilitation after discharge from hospital**

The Local Government Reform entailed that the municipalities took over the authority and financing responsibility for the specialised outpatients' rehabilitation after discharge, while the regions took over the supplier and referral responsibility.

In addition, the municipalities were given the responsibility for the entire *general* outpatient rehabilitation. This means the authority, financing and referral. Thus, the municipalities refer patients to rehabilitation programmes today on the basis of an individual rehabilitation plan which the hospital must prepare for the patients. The regions took over the authority responsibility for rehabilitation during hospitalisation, but with municipal co-financing.

### Challenges

The committee has identified a number of challenges with the current regulation of the general outpatient rehabilitation.

Consequently, the rehabilitation plan does not always provide a sufficiently precise professional description of the rehabilitation needs and the necessary efforts for persons with especially complex rehabilitation needs. Conversely, for patients with less complex rehabilitation needs there is a potential for simplifying the communication between hospitals and municipality in connection with rehabilitation plans.

At the same time, there is extensive variation in the waiting times for general outpatient rehabilitation in the municipalities. Thus, the municipality with the shortest waiting time in 2010 offered rehabilitation ten days after registration of the rehabilitation plan in the National Patient Register, while the municipality with the longest waiting time offered rehabilitation after 54 days. It is not possible to assess whether this is due to inexpedient communication between hospital and municipality, differences in the municipalities' prioritising or lack of data. However, the variation does indicate that there is potential for improvement.

Additionally, the municipalities lack guidelines as to when a programme can be performed by the municipality itself and when a municipality should make use of more specialised programmes. Also there is a need for increased transparency regarding the specialised programmes.

### Assessments and proposals

The committee recommends that the monitoring of the entire rehabilitation area is strengthened.

The committee proposes a number of adjustments of the current regulation of rehabilitation.

Consequently, the development of a tool for stratification of patients with more or less complex general rehabilitation needs is recommended, which will be used to target the programmes.

In relation to patients with very complex rehabilitation needs, the stratification must form the basis for a number of initiatives to strengthen the efforts:

- a. *Enhanced regional authority competence.* The hospitals will be given increased competence to describe the rehabilitation needs for patients with very complex rehabilitation needs. In this way, the municipality is given a far better picture of the rehabilitation needs, including e.g. to what extent there is a need to involve neurological professional competences for patients with complex brain damage. This means for example that such patients must have a specialised programme or that the mu-

municipality must make use of competences the municipality does not have. The degree of the enhanced competence must be considered further.

- b. *Referral guidelines.* Referral guidelines will be prepared for patients with very complex rehabilitation needs. It will be possible to adjust the referral guidelines in relation to how much they oblige the municipalities to make use of special competences and professionals in providing rehabilitation programmes.
- c. *Increased transparency.* Joint health quality criteria will be prepared for the specialised efforts for patients with the most complex rehabilitation needs. At the same time, the Tilbudsportal (Gateway to Social Services) will be expanded to also include specialised programmes according to other legislation than social services legislation.

### 2.2.5 The work for patients with mental disorders

The terms of reference states that the Evaluation of the Local Government Reform in relation to the work for patients with mental disorders must be analysed in the psychiatry committee, which the government has established for the work for persons with mental disorders.

The psychiatry committee will report mid-2013.

## 2.3 The social services area and specialised educational programmes

With the Local Government Reform, a unified authority and financing responsibility was introduced in the social services area and the special education area, while the regions were given a universal service provider obligation. The clear-cut placement of the responsibility in the municipality supports that the tasks to a greater extent are performed in the immediate environment and in close interaction with the standard programmes.

### 2.3.1 Support of the specialised social service efforts

Because of its service obligation the individual municipality has the responsibility to ensure that programmes are developed or being developed that are needed. When this concerns target groups with very special needs that require special skills and work, the responsibility will typically be attended to in cooperation with other municipalities, regions and private suppliers of programmes.

A system was introduced with the Local Government Reform with framework agreements that are a key tool to the coordination and cooperation between municipalities and regions regarding purchase and sale of spaces on specialised programmes. At the same time, a state knowledge and special counselling unit, VISO, was established. Together, these tools should ensure that the municipalities have access to the necessary specialised professional environments and programmes.

#### Challenges

The committee has identified a number of challenges with the current cooperation structure. The framework agreement system does not ensure adequate coordination of the supply of

programmes in those cases where the demand at the regional level is limited. This regards programmes where not all municipalities at the time in question have citizens in the target group and therefore, do not necessarily have an interest in supporting the programme. At the same time, there is a lack of a national overview of the supply of specialised programmes and services and the knowledge of these.

### **Assessments and proposals**

The committee recommends that a national coordinating structure is established in relation to the supply of highly specialised programmes and services for small and/or particularly complex target groups. This involves that the National Board of Social Services is given the competence to appoint target groups and/or special services where it is assessed that there is a need for increased coordination or planning between the municipalities in order to ensure and further develop the specialised knowledge and services.

For each region, the local councils will report jointly to the National Board of Social Services on how they will provide and organise the work in the centrally appointed areas. The basis for the National Board of Social Service's processing of the reports is a dialogue with the local councils about their solution proposals and the regions where relevant. The committee has additionally described options to give the National Board of Social Services/Ministry of Social Affairs, Children and Integration reaction options that can be used in very special cases if the dialogue with the municipalities is not, in itself, sufficient.

- *Call in.* The National Board of Social Services can be given authority to request the municipalities to perform a renewed processing of the reports.
- *Imposing of operations responsibility* The Ministry of Social Affairs, Children and Integration can be given authority to impose a municipality or region with operations responsibility and thus determine a specific programme structure in an area.

On the whole, the national coordination entails a strengthened professional planning in the specialised social services area with respect for the conditions that apply in the area.

Furthermore, the committee recommends that the municipalities be given increased flexibility to find the financing model locally that is found to be the most appropriate and consequently dispense with rate regulations. This could concern, for example, entering into agreements on subscription schemes, binding procurement agreements and shared financing responsibility.

### **2.3.2 Placement of programmes**

The municipalities have shown great interest in taking over the former county programmes. Already from 1 January 2007, the municipalities took over altogether 80 percent of the county programmes at the time. The remaining programmes were transferred to the regions. The municipalities have subsequently taken over programmes from the regions.

In general, the municipalities' taking over of regional programmes has scaled down. However, there are still considerations and indications on takeovers.

### Challenges

The current distribution of programmes between municipalities and regions reflects a number of local considerations and prioritising, but is not the result of an overall consideration of how it is most expedient to place the task of operating specific types of programmes.

The fact that the regional programmes may be taken over each year by the site municipality also means that the regions cannot be certain of the time perspective for the remaining programmes. In some instances, this could limit the possibilities for long-term planning of operations and development of the programmes, especially if the municipality has indicated interest in taking over the programme in question.

### Assessments and proposals

The committee has set up three proposals for models for the placement of programmes.

- *Model 1. Unchanged distribution of tasks.* The model retains the current organisation of the area. In this regard, 'preserving' the regional programmes against municipal take-over could be considered for a four-year period.
- *Model 2. A municipal model.* The model entails that the current regional programmes are transferred to the municipalities and that consequently, the regions will no longer have a service obligation in the social services area.
- *Model 3. Regional responsibility.* The model entails that the regions are given the responsibility to operate, develop and establish programmes for specifically defined target groups as well as possible authority and financing responsibility. The model implies that the regional service obligation continues.

### 2.3.3 Effective operation of programmes

The intention of the Local Government Reform was to ensure a structure resembling a market for social services programmes where the municipalities could purchase and sell programmes to each other, or purchase programmes from the regions and private suppliers. This was supported through regulations on cost-based charges and the Tilbudsportal (Gateway to Social Services), which would make it possible to compare programmes.

### Challenges

The market for social service programmes is characterised by a number of limitations in the market mechanisms, which has the consequence that the municipalities cannot, in all cases, freely choose alternative suppliers in the event of rate increases. The municipalities' financing of places on their own programmes means that as the operator, the municipality will have an incentive to keep the rates stable. The incentive to keep a check on fee development will, however, be reduced in those cases where the operator contributes to financing the programme only to a limited extent or not at all.

In continuation of this, the committee has identified a number of challenges with the current regulations on cost-based rates in relation to supporting effective operation and transparency for the buyer, including among others:



- Operators today have to factor in a possible profit or loss in the rate to be certain that they can cover potential expenses if the operator cannot keep to his budget. This involves a risk that ineffective programmes will be kept alive by artificial means.
- According to the applicable regulations, the rate calculation is tied up to the individual service paragraphs, while an agreement on the delivery of a specific service is, to a greater extent, based on an overall assessment of what the citizen in question needs. This limits the transparency around price and content for the buyer.

### **Assessments and proposals**

The committee assesses that there is a need for an audit of the current rate regulations. The audit must improve the incentives for effective operation and ensure transparency and comparability across private, municipal and regional programmes.

For example, this will entail the setting of rates with a description of the basic service and service units, possibly combined in "service packages". At the same time, the operators will have access to refrain from realising a lesser profit of up to five percent in rate reductions. Conversely, smaller profits of, e.g. five percent of the budget (gross costs) cannot be factored into the rate and consequently give rise to rate increases. In this way, the incentive to steady the rate development is increased.

The proposed changes to the rate regulations must be seen in context with the fact that the coming reform of the supervision of social services programmes will also contribute to increased transparency about the content and economy of the programmes for the buyer.

### **2.3.4 Specialised educational programmes**

A number of specialised education programmes were continued with the Local Government Reform, with status as nationwide and regional special educational programmes and special counselling functions. In this regard, the regions were given the responsibility to continue and develop seven programmes which consequently cannot be taken over by the municipality in the location.

The number of students in national and regional programmes has dropped dramatically in the years after the Local Government Reform. However, the tendency began before the Local Government Reform and must be viewed in context with the objectives of increased inclusion as well as the technological development in the hearing impaired area due to cochlear implants.

### **Challenges**

In line with increased inclusion, an increased need arises for counselling and continuing education programmes at local level. The declining number of students on the national and regional programmes challenges, however, the building up of experience which is the foundation for the specialised counselling.

In extension of this, the committee has identified a number of challenges with the current organisation of the area. For example, there is no clear division of responsibility between VISO and the national and regional programmes for special counselling tasks. The conducted

mapping also indicates that the further development of the programmes takes place, to a great extent, at the programmes' own initiative. Consequently, there is a need to improve co-ordination across operators in order to support improved planning of the development of the programmes.

### **Assessments and proposals**

The committee has assessed that it would be relevant to establish a national coordination structure in connection to the framework agreements in the specialised education area, corresponding to the proposed national coordination structure in the social services area. This can contribute to supporting highly specialised programmes and knowledge environments where it is assessed as relevant in order to ensure the necessary supply.

The committee has proposed two models for the future organisation of national and regional education programmes and special counselling functions.

- *Model 1. Unchanged distribution of tasks – increased coordination and cooperation.*  
The model retains the regional responsibility for supply for school programmes and special counselling in the national and regional education programmes. The model establishes a new formalised cooperation forum across the regions and City of Copenhagen.
- *Model 2. Harmonising with the social services area.*  
This model entails that the municipalities are given the provider responsibility for the entire special education area. VISO will take over the responsibility for the provision of special counselling via the supplier network.

### **2.3.5 Family law**

With the Local Government Reform, the regulations on the family law area were changed so all cases regarding separation, divorce and parental custody will, in future, begin in the five new state administrations.

With the goal of ensuring a more expedient and flexible task performance, on 9 November 2012 the government, the Red-Green Alliance and Liberal Alliance entered into an agreement on a new structure for the state administrations, including the placement of family law. With the reform, family law will continue to be placed in the state administrations where the current ten localities will be reduced to nine regional centers. The new structure for the state administrations will come into force on 1 July 2013 and will be fully implemented in 2016.

## **2.4 The nature and environmental area**

Following the Local Government Reform, the responsibility for, by far, the majority of tasks on the nature and environmental area were gathered in the municipalities. National and especially technically complicated tasks were placed with the state, while tasks regarding raw material planning, soil contamination and the new regional development plans were placed with the regions. Ultimately, the municipalities took over a considerable part of the counties' tasks regarding physical planning.

### 2.4.1 Water and nature efforts

The EU's habitat, bird protection and water framework directives determine the overall frameworks for the water and Natura 2000 areas. With this as the starting point, the state water and nature plans determine the frameworks for the municipalities' efforts. The municipalities prepare action plans, which utilise the state water and nature plans within their geographical areas.

Following the Local Government Reform, the municipalities took over the statutory responsibility for implementation of the cross-municipal and locally targeted means in the water plans and large parts of the Natura 2000 plans' specific efforts. The municipalities' implementation of new tasks has taken place parallel with the Local Government Reform, in line with agreements being entered into between state and municipalities.

#### Challenges

The committee has identified a number of challenges in relation to coordination between state and municipalities, cross-municipal coordination as well as the financing of the municipalities' fulfilment of the directive obligations via EU funds and state subsidy pools.

#### Assessments and proposals

In relation to the coordination between the state and municipalities, the agreement on the municipalities' finances for 2013 states that the regulating of the water and nature effort must be simplified and have its starting point in target and framework management of the municipalities' efforts.

In relation to the coordination between the municipalities, the assessment is that an effective administration of the tasks in the area requires a certain volume of cases and gathering of competences. For example, this can be achieved through voluntary and function-specific municipal cooperation.

The committee proposes that efforts are made to develop subsidy schemes that can contribute to cost-effective efforts.

The committee's assessment is that there is no need for changes to the regulation of the municipalities handling of nature, which is protected by the Nature Conservancy Act, Section 3.

### 2.4.2 Ground water

Denmark's water supply is based on the recovery of uncontaminated ground water and is thus unique in a European context. There is a relatively large strain on the ground water resource from water recovery in Denmark, especially around larger urban areas and in areas with intense watering of fields. A state mapping of the ground water is currently in progress, which is expected to be completed in 2015.

#### Challenges

A decision has not been made about possible maintenance of the mapping after 2015.

### Assessments and proposals

The committee proposes that the need for maintenance of the ground water mapping after 2015 is clarified before the mapping that is in progress is completed.

The committee recommends that a committee is established that can assess the relevant considerations of a possible maintenance of the mapping. In this connection, it should be assessed whether a possible mapping after 2015 could be attended to by the regions.

The committee also proposes that the options for further comparison and exchange of data on the ground water area are further clarified by the relevant parties.

### 2.4.3 Approval and inspection of enterprises

With the Local Government Reform, the tasks of environmental approval and inspection of a number of enterprise types was shared between the state and the municipalities. The advantages and disadvantages of the various boundaries between the state and the municipalities' tasks and the possibilities of cooperation across municipal borders have been analysed in the evaluation.

#### Challenges

The committee has identified a number of challenges in relation to the few I-marked<sup>1</sup> enterprises in Denmark, which is why it can be difficult to maintain competences and consistency in the case processing. Moreover, the shared authority competence between the state and the municipalities in relation to waste disposal sites can be inexpedient.

### Assessments and proposals

The committee has set up three proposals for models.

- *Model 1. Inspection and approval of I-labelled enterprises are gathered in the state*  
The state will take over the responsibility for environmental approval and inspection of the I-labelled enterprises (including waste disposal sites) which the municipalities are currently responsible for.
- *Model 2. Approval of waste disposal sites will be moved to the state*  
The approval competence for disposal sites will be moved from the municipalities to the state, which currently attends to the inspection of the sites.
- *Model 3. Inspection of disposal sites will be moved to the municipalities*

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<sup>1</sup> In 1999, the EU's IPPC Directive was implemented, which is a European environmental approval scheme for the most environmentally significant companies and stock-farming enterprises. This entailed supplementary requirements for approval processing of companies covered by the Directive (I-labelled companies) in the form of requirements for prior public notice, mandatory regular re-evaluations, etc. The IPPC Directive was replaced by the IE Directive, which will be implemented before 7 January 2013.

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The inspection competence for disposal sites will be moved from the state to the municipalities, which currently attends to the approval of the sites.

#### 2.4.4 Approval and inspection of stock-farming enterprises:

In connection with the Local Government Reform, the counties tasks on the stock-farming enterprise area were transferred to the municipalities. As part of the evaluation it has been investigated how the task can be organised most appropriately with the goal of supporting more effective case processing.

##### **Challenges**

The committee has identified challenges in relation to a certain disparate case processing between municipalities and continued long case processing times in a few municipalities.

##### **Assessments and proposals**

The committee assesses that a new relocating of tasks on the area for inspection and approval of the stock-farming enterprise area will be inexpedient at the current time, as a large number of initiatives - which can be initiated within the current task distribution - have been commenced to reduce the case processing time.

#### 2.4.5 Raw materials

The Local Government Reform entailed tasks regarding raw material mapping and raw material planning being transferred to the regions, while tasks regarding permits for raw material recovery were transferred to the municipalities. The current task distribution entails the occurrence of an overlap of the performance of tasks between municipalities and regions. On this background, the evaluation has analysed the advantages and disadvantages of various scenarios for the placement of the task.

##### **Challenges**

The committee has identified a challenge in relation to the balancing between, on the one hand, the scope of the raw material resources, the supply and the commercial considerations and, on the other, considerations of the environment, nature, etc., of raw material planning and of the issuing of excavation permits. Raw materials are recovered in approx. 70 of the country's 98 municipalities and there are approx. 70 applications at national level on an annual basis.

##### **Assessments and proposals**

The committee has set up two proposals for models in the raw materials area:

- *Model 1. Unchanged distribution of tasks*  
The municipalities' task of issuing permits for raw material recovery and the regions' task of indicating raw material areas will be retained.
- *Model 2. Moving of permit issuing to the regions*  
The municipalities' task of issuing permits for raw material recovery will be moved to the regions.

## 2.5 Regional development

The purpose of the Local Government Reform in the business area was to strengthen the development of the local and regional growth conditions throughout the country. Part of the purpose was to also create a more cohesive and simple structure, which ensured fast and effective case processing in relation to the questions and problems that the enterprises face on a daily basis.

The municipalities were given the responsibility for local business promotion. With the establishment of growth forums, the regions were to take on the responsibility for the regional business development, while the state would continue attending to the general growth policy.

### 2.5.1 Distribution of tasks in the business development effort

The evaluation has taken a closer look at the task distribution between state, regions, growth forums and municipalities in the business development area with a view to assessing whether a clear placement of responsibility and task distribution has been created between the individual players in the business development area.

In general, the evaluation shows that essentially, there has been success in realising the goal of a unified and more cohesive effort on the business area. There are considerable differences between the municipalities' prioritising in the business area, which must be viewed in relation to both local needs and in relation to existing initiatives at regional and state levels.

#### **Challenges**

The committee has identified a number of challenges in the area. For example, slightly more than 60 percent of the municipalities' costs in the business area are basically spent on direct business service and business development activities plus other local development tasks, while the remainder is spent on policy and strategy development, administration and organisation development, etc.

In relation to the vertical coordination, there is indication of a need for the regional growth partners to aim towards becoming more specific and shorter in 2013, which will strengthen the effect. In the youth education area, there is indication of a need to involve the regions to a greater extent in the establishment of a range of youth education programmes.

#### **Assessments and proposals**

The committee's assessment is that municipalities should continue to pay attention to ensuring that as large a portion as possible is used on direct business service and business development activities while considering that the work in this area will also entail more administrative and organisational tasks.

Additionally, the committee assesses that it is important to support focus on the most effective use of the prioritised funds in the business area, with a view to generating the greatest effect while acknowledging the known methodical challenges by demonstrating effect in the area.

The committee's assessment is also that, in general, there could be a need to strengthen the cohesion between the state, regional and municipal efforts for growth and business development by, e.g. adjusting and continuing growth partnerships so there is greater focus on effect. The committee assesses that, within existing financial frameworks, Denmark's Growth Council has the possibility to strengthen the vertical coordinating in its activities to a higher degree.

Finally, the committee assesses that it would be relevant for the regions' current right of submitting recommendations in connection with the establishment of new youth education programmes to be expanded to also include the closure of existing youth education programmes.

### 2.5.2 The efforts of the regional growth forums

The growth forums were a new set-up. The intention was to create better frameworks for the development of the local and regional growth conditions. As part of the evaluation, a mapping and evaluation of the efforts for growth and business development of the regional growth forums have been conducted.

#### **Challenges**

The evaluation shows that the intentions of establishing growth forums have, to a large extent, been realised. However, the committee has also identified a number of challenges. For instance, there is still a challenge to quantify the results of the growth forums' work despite significant focus and resource consumption in the area. Moreover, the evaluation shows that mutual coordination and cooperation between the growth forums and in relation to the state should, in future, have greater attention, just as the competition for funds is relatively limited. Finally, the administrative work regarding EU funds in connection with growth forums, with e.g. project maturing and case processing, is considerable.

#### **Assessments and proposals**

The committee assesses that a more uniform evaluation practice in the growth forums should be considered. Therefore, the proposal is to strengthen the effort for evidence-based evaluation with the goal of rendering probable the effect of the regional growth forums' work. In the long term, this is assessed as providing a better basis to prioritise the work, which may be assumed to increase the effect of the funds.

### 2.5.3 Expenses for administration

A mapping and evaluation of the regions' expenses regarding administration of the entire regional development area has been conducted in the evaluation.

#### **Challenges**

Due to insufficient comparability in data, the committee has been unable to conduct a fully comprehensive mapping and evaluation of the regions' expenses regarding administration of the regional development area.

#### **Assessments and proposals**

On the background of the insufficient comparability of data, the committee has not found it possible to assess whether the funds that are used on administration of the area in the re-

gions overall can be used more effectively. Therefore, the committee proposes a study of whether comparable data on the regional development area is obtainable.

When more comparable data of regional development is available, this can form the basis for a detailed study of whether the relatively large identified differences between the regions' resource consumption can be partly explained due to differences in effectiveness across the regions. Focus on ensuring an effective administration as possible should continue.

#### 2.5.4 Regional development plans

The regional development plans will set the frameworks for developments in the regions as far as the visionary and strategic parts of the planning are concerned. An analysis of the past experiences with regional development plans has been conducted.

The evaluation shows that the regional development plans have met the legislation in terms of content.

#### Challenges

Viewed in the light of public resources, which are used on the regional development plans, it could be considered whether the regional development plans have found an appropriate level in relation to visibility and impact. In addition, it can be questioned whether the regional development plan has been incorporated to an adequate degree in other planning, e.g. in relation to municipal plans.

#### Assessments and proposals

The committee has set up four proposals for models regarding the regional development plan:

- *Model 1. The regional development plan is retained.*  
The regional development plan is retained within the current structure.
- *Model 2. The regional development plan is discontinued.*  
With the discontinuation of the regional development plan, the regional council will no longer be obliged to work strategically with the desired future development for the region or the cohesion with the state and municipal planning.
- *Model 3. The regional development plan and the regional business development strategy is assembled into one strategy*  
This model entails that the more general strategic lines in the regional development plan are combined with the business development strategy's more specific focus on objectives and focus areas for the business community in the region in a new combined strategy.
- *Model 4. The regional development plan is strengthened*  
This model involves that, in future, the municipal plan is in accordance with the regional development plan, which is a tightening-up in relation to today where the municipal plan may not contravene the description of the desired future development in the regional development plan.



### 2.5.5 The municipalities' case processing

With the Local Government Reform, the case processing of, e.g. business applications for building permits, environmental approvals and zoning permits, were altogether placed at the municipal level. The municipalities' case processing targeting businesses has been mapped and assessed with regard to processing time and charges etc.

#### **Challenges**

The committee has established that the average construction project processing charges and the average case processing time has increased since 2009. Furthermore, there is no transparency in the setting of the charges.

#### **Assessments and proposals**

In mid-September 2012, a cross-public sector work group on effective construction project processing provided specific recommendations to the Ministry of Climate, Energy and Building on proposals for the streamlining of construction project processing via increased consistency and transparency in the municipalities' case processing.

The committee finds that the work group's proposed initiatives on, e.g. service goals for construction project processing times is a step in the right direction in order to support a fast and effective construction project processing in all municipalities. The committee also finds that municipal case processing targeted towards businesses can, to a relevant extent, be incorporated in the work that will take a closer look at the municipalities' contribution to growth and business development, cf. agreement on the municipalities' finances for 2013.

## 3. Local Government Reform 2007

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The Local Government Reform, which came into force on 1 January 2007, consisted of three reforms:

- A task reform
- A territorial reform
- A financing reform

The task reform entailed that the responsibility for a large number of tasks was moved around between the state, the municipalities and the new regions. The new division of labour outlined a public sector in which the state lays down the overall framework, the municipalities undertake the majority of the tasks targeted towards citizens and the regions have the main responsibility for the health service, regional development plus a number of specialised tasks. See the overview on pages 43-44.

The territorial reform meant that Denmark went from 271 municipalities to a total of 98 municipalities. Of these, 65 municipalities were formed through the merger of two or more municipalities, while 33 municipalities remained unchanged. The counties were simultaneously abolished and five new regions were created. See the map of Denmark of page 48.

The financing reform included restructuring in the financing of the municipalities and consequential amendments on the tax system as a result of the abolishment of the counties.

### 3.1 Background for the Local Government Reform

On the basis of an increasing debate on the structure of the public sector, a Commission on Administrative Structure was established in 2002, which was charged with the task of assessing the *"advantages and disadvantages of alternative models for the organisation of the public sector and on this basis, to make recommendations for changes that would remain sustainable for a number of years"* (The Structural Commission's Terms of Reference) The Structural Commission consisted of representatives of the municipal organisations, ministries and individuals with special expertise.

In January 2004, the Structural Commission concluded in a white paper that there was a need for a reform of the public sector's structure, cf. box 3.1. The conclusion was partly substantiated by the fact that counties and municipalities were not big enough to perform their tasks and, partly, that the distribution of tasks in the public sector was inexpedient in several areas.

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**Box 3.1****The Structural Commission's considerations and recommendations**

"On the whole, it is the commission's assessment that there is a need for a reform of the public sector's structure.

The weaknesses in the current structure are partly linked to the size of the municipalities and counties and partly to the task distribution between state, counties and municipalities

- A large part of the current administration units are inappropriately small in relation to the task performance the legislators require today
- On a number of areas it is difficult to ensure cohesive and coordinated efforts. To a broad extent, the problem originates from the shared responsibility for some tasks between several different de-central administration segments. This gives the risk of "grey zones".
- Problems can be identified on some areas as a result of parallel functions/tasks distributed between several administration segments. Coordinating and prioritising of the task performance between the administration segments can be made difficult, just as the streamlining and quality of the task performance can be made difficult.

The commission recommends an overall reform of the public sector which includes division changes as well as moving of tasks between state, counties and municipalities."

*Excerpt from the Structural Commission's terms of reference, January 2004.*

## 3.2 The political agreements on the Local Government Reform

With the starting point in the Structural Commission's analyses, the government at the time (Venstre – The Liberal Party of Denmark and The Conservative People's Party) submitted a proposal for a reform of the structure of the public sector. On the basis of negotiations with the Parliament's other parties, on 24 June 2004 the government and the Danish People's Party entered into the "Agreement on a structural reform" and in doing so made the fundamental decision to implement a Local Government Reform, cf. box 3.2.

**Box 3.2****Agreement on the Structural Reform**

"The reform draws a new public sector in which municipalities, regions and state have each their identity in terms of tasks. The state will determine the overall frameworks. The municipalities will perform the tasks related to citizens and will consequently be the main entry point for citizens and companies to the public sector. Five new regions will have the responsibility for the health service, will be the generator for regional development and be responsible for performing larger operation tasks for the municipalities."

*Excerpt of the Agreement on the Structural Reform, 24 June 2004*

On 24 September 2004, the general agreement – between the same parties – was supplemented with the "Implementation Plan" which, among other things, contained a new regional map indicating the territories of the regions and an overview of the location of local state workplaces in connection with the reform.

On 3 March 2005, the government, the Social Democrats, the Danish People's Party and the Social Liberal Party entered into the "Territorial Agreement" on the division of the municipalities. The new municipal map of Denmark was, to a great extent, determined in accordance with the proposals which the municipalities had prepared beforehand.

On 27 February 2006, the government, the Danish People's Party and the Danish Social Liberal Party entered into the "Agreement on a Local Government Financing Reform".

The agreements can be found on the website of the Ministry of Economic Affairs and the Interior: <http://oim.dk/media/70273/kommunalreform-de-politiske-aftaler.pdf>

### 3.3 The task reform

Behind the overall distribution of tasks there was a goal to aim at a more simple and clear distribution of tasks and responsibilities between the authorities. The Structural Commission had pointed out that the responsibility for certain tasks was shared between different administration segments and in some cases this concerned parallel functions distributed between several administration segments. Thus, there was a cross goal to strive for a greater gathering of the responsibility for defined tasks with one authority.

In relation to the municipalities, the objective is reflected in the gathering of a large part of the citizen-related tasks in the municipalities and greater access to the municipalities' service centres being able to service citizens on behalf of other authorities. In this way, the municipalities have become the citizens' and enterprises' main entrance to the public sector.

To be specific, the municipalities were given a number of tasks within the following areas: health, employment, the social services area and special education, business service, public transport and roads, nature, environment and planning, culture as well as interdisciplinary citizen service.

The previous counties were discontinued and five new regions were established. The primary tasks of the regions were to attend to the health service, regional development and operation of a number of institutions within the social services area and the special education area.

In addition, the regions were given the responsibility to establish transport authorities and for certain tasks regarding nature, environment and physical planning.

The state's role, before and after the Local Government Reform, is to determine the overall frameworks and generally attend to the tasks that are not expedient to delegate to municipalities or regions. With the aim of ensuring cohesion and efficiency in the performance of tasks, some tasks were moved to the state with the Local Government Reform, including for example, tax collection and general nature and environmental tasks.

### 3.4 The territorial reform

One of the cross goals of the reform was to create municipalities and regions with greater professional and financial sustainability.

Even before the Local Government Reform, municipalities in several places in the country had worked with the possibilities of municipal mergers. After referendums on Bornholm, Langeland and Ærø, decisions were made to form one municipality on each island. Bornholm from 1 January 2003, Ærø from 1 January 2006 and Langeland from 1 January 2007.

The structural agreement recommended 30,000 inhabitants as the basis for the formation of new municipalities. Not least, seen in context with the reform entailing the transfer of further responsibility/tasks to the municipalities. A minimum size of 20,000 inhabitants was determined as the actual requirement for the new municipalities. Alternatively, they could enter into a binding cooperation with neighbouring municipalities. Such cooperation should have a population basis of at least 30,000 inhabitants.

The result was that after the Local Government Reform, the municipalities became considerably larger than the municipalities before the reform. Before the Local Government Reform there were 206 municipalities (out of 271) with less than 20,000 inhabitants, whereas after the Local Government Reform there are only 7 municipalities (out of 98) that have less than 20,000 inhabitants. The average municipality size has grown from almost 20,000 inhabitants before the reform to approx. 55,000 inhabitants after the reform.

For the formation of the new regions, it was likewise essential to create larger units that would comprise an improved professional and financial basis to perform the hospital task so patients can be offered preventive care, examination, treatment and care at a high professional level. In terms of population, the regions stretch between approx. 0.6 million and 1.6 million inhabitants. The regions are considerably larger than the counties, which had between almost 225,000 and almost 660,000 inhabitants.

### 3.5 The financing reform

The Local Government Reform was implemented with the principle that the money followed the task. In total, tasks from the former counties were transferred to the municipalities corresponding to almost DKK 30 billion, for which the municipalities were compensated through the block grant.

At the same time, the number of revenue-raising levels was reduced from three to two given that the regions, as opposed to the counties, cannot collect tax but are given their revenues from the state and the municipalities. The counties' previous right to revenue-raising was distributed between the state and municipalities.

The overall financing and equalisation reform had the aim of adapting the municipalities' financing system to the new distribution of tasks and the new municipal map. The reform contained the following main points:

- A reform of the subsidy and equalisation system
- Restructuring in taxes

- Simplification and adaptation in the tax and subsidy legislation
- Transition schemes

For the subsidy and equalisation reform, the most fundamental changes were that the distribution key for the block grant was changed to follow the municipalities' population figure instead of their tax basis and that a new equalisation method was introduced – a net equalisation – where equalisation is done on the basis of the individual municipality's structural profit or loss as an overall expression of the municipality's financial situation. The general equalisation level was increased from 45 to 58 percent. A new and more nuanced equalisation of the differences in expense needs was introduced and adapted to the municipalities' new task composition.

With the introduction of the new equalisation system, a special subsidy for the block subsidy was also restructured worth a total of DKK 10 billion. Furthermore, municipal taxes were restructured to the block grant with a view to achieving a more equal revenue distribution.

A new financing system accompanied the new regions consisting of financing from the state and financing from the municipalities. The regions' financing of the healthcare area consists of a state block grant, activity-dependent financing from the state, in the years 2007-2011 a municipal basic contribution and finally, activity-dependent financing from the municipalities. The regions' social service tasks are fully flat-rate financed by the municipalities. And finally, the regions' financing of regional development is based on a state block grant and a development contribution from the municipalities.

## 3.6 Distribution of tasks in the public sector

### The municipalities' tasks

- The social services area: The overall financing, supply and authority responsibility
- Childcare
- Municipal primary and lower secondary school, including all special education and special educational assistance for young children
- Elderly care
- Healthcare area: Preventive care, care and rehabilitation that does not take place during hospitalisation, treatment of alcohol and substance abuse, home nursing care, the municipal dental care, special dental care and social psychiatry
- The active employment effort for uninsured unemployed people. From 1 August 2009, the task will also include insured unemployed people
- The integration effort and language tuition for immigrants
- Citizens' service within the tax and tax collection area in collaboration with the state tax centres
- From 1 October 2012, citizens' service regarding objective case processing tasks, which require personal contact with the citizens
- Support services (unemployment insurance, incapacity benefit, social security and sickness benefit)
- Utility and emergency preparedness
- Nature, environment and planning: For example, specific authority tasks and citizen tasks, preparation of municipal plans, waste water plans, waste plans and water supply plans

- Local business service and promotion of tourism
- Participation in regional transport authorities
- The local road network
- Libraries, music schools, local sports facilities and other cultural areas

**The regions' tasks**

- Hospital service, including hospitals, psychiatry as well as health insurance, including private general practitioners and specialist doctors
- Regional development regarding, for example, nature and environment, business, tourism, employment, education and culture as well as development of the regions' fringe areas and rural districts. Secretariat serving of the regional growth forums
- Soil contamination
- Raw material mapping and planning
- Operation of a number of institutions for marginalised groups and groups with special needs on the social service and special education area.
- Participation in transport authorities

**The state's tasks**

- Police, defence and judicial system
- Foreign service and development aid
- Overall planning within the healthcare area
- Education programmes and research, except for municipal primary and lower secondary school and special education
- Working environment authority and overall employment policy
- Tax collection, etc. and recovery of debt to the public sector
- Reimbursement of municipal expenses for, e.g. unemployment insurance, incapacity benefit and social security
- The overall road network and state railway
- Overall nature, environmental and planning tasks
- Certain cultural provisions
- Business economic subsidies
- Acceptance of asylum seekers

**Figure 3.1**  
Map of Denmark after the Local Government Reform 2007





## 4. Development after the reform on selected interdisciplinary fields

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According to the mandate, the committee has analysed interdisciplinary problems for municipalities and regions and has also assessed the possibilities to support cost-effective municipal and regional task performance across the individual sector areas with the acquiring of economies of scale, etc.

The committee has chosen to focus on the development in the following interdisciplinary problems after the Local Government Reform:

- Political management
- Professional and financial sustainability
- The administration structures in municipalities and regions
- The administrative resource consumption in municipalities and regions
- Administration buildings
- The structure regarding day-care facilities, municipal primary and lower secondary schools and hospitals
- Public-private cooperation

### 4.1 Development in the political governance

The possibility of political leadership elected by the people governing and controlling the underlying administration is a fundamental principle for the public sector in Denmark and an important aspect of the democratic control. In general, political governance is about prioritising and managing the resources and defining service and quality goals.

Historically, there has been significant focus in the municipal policy on the specific operational questions and individual cases, which must be seen in context with the municipal units' limited size in terms of geography and population. The Local Government Reform has, however, made it a pressing matter to reassess the role of the politician. The larger municipalities with more task areas and fewer politicians have made clear the need for interdisciplinary political governance and prioritising in the municipalities. Similarly, the establishment of five large regions and likewise fewer politicians also at the regional level has resulted in a need to revise the role of politicians.

The following describes, to begin with, the basis for political governance in municipalities and counties before the Local Government Reform. The expected changes in connection with the

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Local Government Reform are then described. Finally, how the political governance after the Local Government Reform has developed in practice will be described.

#### 4.1.1 Competence and practice before the Local Government Reform

The Danish Municipal Administration Act is mainly unchanged since the Local Government Reform of 1970. Up to the Local Government Reform in 2007, the Municipal Administration Act regulated municipalities as well as counties.

The Municipal Administration Act states that a municipality's affairs are managed by the local council. This means that the management of and responsibility for the municipal organisation lies with the local council. To a high degree, it is up to the local council in the individual municipality to determine at which level decisions are to be made, i.e. whether decisions should be made by the local council, the permanent committees or the administration. However, in some cases the legislation contains an explicit prohibition on delegation.

The mayor is the chairperson for the local council and is the senior daily leader of the municipality's administration. In this regard, the mayor must ensure for example that the local council's decisions are implemented and that no expense is paid for without the necessary authorisation.

Both before and after the Local Government Reform, the most widely used form of governance in the municipalities is a so-called committee government where the immediate administration of the municipality's tasks are attended to by a finance committee and one or more permanent committees. The mayor is the chairperson for the finance committee, which is responsible for the municipality's finances and coordination of the municipality's planning, among other things.

In its white paper, the Structural Commission states that the strength of the committee government is that it gives the politicians the opportunity to gain insight into the individual task areas. On the other hand, the risk of sectorialization of the management of the municipal performance of the tasks was pointed out.

#### 4.1.2 Expectations to political governance in the light of the Local Government Reform

In its white paper, the Structural Commission pointed out that in the coming years there will be greater focus on the consideration of an effective task performance and the overall management and prioritising. This was substantiated in still tighter socio-economic conditions as a result of demographic changes and increased expectations of the users for more individually adapted and flexible service.

It was assessed that the pressure for streamlining and more freedom of choice would entail a changed political governance role for politicians with increased importance on formalised management tools and less involvement in operational decisions.

The Structural Commission also pointed out that a full utilisation of the potentials of a reform will lead to considerable changes in the current organisation, management, organisational

structure, etc. A reform was thus assessed as being a good occasion to break with inexpedient work processes and administration structures and provide the opportunity to acquire economies of scale in the new administration units.

### 4.1.3 Description of the development in the political governance after the Local Government Reform

The committee's assessments of the development within the area is based on changes in the legislative frameworks for governance conditions in municipalities and regions, data regarding the political organisation in the municipalities and regions as well as the committee's hearings in connection with the evaluation. It is noted that specific studies of the political governance in municipalities and regions after the Local Government Reform have not been conducted.

#### **Changes to governance conditions**

##### *Discontinuation of counties and establishment of regions*

The Local Government Reform entailed the discontinuation of the counties and the establishment of five regions instead. The regions' governance conditions are set in the Regions Act, which came into force with the Local Government Reform given that the act, however, regarding various conditions in terms of governance refer to provisions in the Municipal Administration Act.

The Regions Act establishes that the region is governed by a regional council and that there are 41 members. According to the act, the regions' form of governance is a so-called flexible executive committee government. This form of governance involves, among other things, that the regional council establishes an executive committee that performs the functions which, in the act on the municipalities' governance, is conferred on the finance committee established by the local council. Furthermore, the regional council decides whether the immediate administration of the region's affairs should be placed with the regional council or the executive committee. The number of members for the executive committee must be uneven and have at least 11 and at the most 19 members. Finally, the regional council has the option of establishing special committees to perform specific tasks or to perform preliminary or consulting functions for the executive committee or regional council, corresponding to the committees that can be established according to Section 17, sub-section 4 in the act on the governance of municipalities.

With an amendment to the Regions Act in 2012, the legal basis was created so that a regional council can establish a committee government corresponding to the ordinary form of government in the municipalities, with dispensation from the Ministry of Economic Affairs and the Interior. On this basis, Capital Region of Denmark has been given dispensation to establish a committee government with three permanent committees.

##### *Municipalities*

As mentioned, the Local Government Reform basically did not change the primary municipalities' governance conditions. However, the reform did mean a change in the number of local council members in the individual local council. Before the Local Government Reform, the number had to be uneven and at least 9 and at the most 31.

Now, the number of local council members in municipalities with more than 20,000 inhabitants has to be uneven and at least 19 and at the most 31. City of Copenhagen, however, can have 55 at the most. In municipalities that have less than 20,000 inhabitants, the number continues to be uneven and at least 9 and 31 at the most.

Thus, the Local Government Reform meant that the number of local council members in the individual local councils generally increased while the merger of 271 local councils to 98 local councils basically led to a reduction in the number of local council members – from 4597 to 2520.

#### Forms of governance in municipalities and regions

After the Local Government Reform, the committee government is still the most spread form of governance in the municipalities, but there are also municipalities that use the intermediate form governance model, including in combination with shared administrative management, the Bornholm/Skanderborg model and the municipal government.

The average number of permanent political committees in the municipalities grew from 4.4 before the reform to 7.0 after the reform, cf. table 4.1.

**Table 4.1**

**Development in the number of permanent committees in the municipalities 2005-2010**

	2005	2007	2010
Average number of permanent committees (incl. Finance committee)	4.4 (N=270)	7.0 (N=97)	6.7 (N=98)

Note: The three years covers the three latest election periods.

Source: Data for 2005 and 2007 originates from Bækgaard (2008). Data for 2010 is compiled by LGDK.

The increase can be attributed to the expanded task portfolio, e.g. on the social services area and on the healthcare area, which meant that specific committees were established for these areas. In the most recent election period (from 2009) the number of permanent committees dropped again to 6.7. The decline is nominally modest, but can be interpreted as a reorganisation.

The regions' form of governance is, as mentioned, a so-called flexible executive committee government. Table 4.2 shows a calculation of the number of political committees in the regions calculated in 2007 and 2012. The committees were established as temporary/consulting committees with duration of one and two years, respectively, with the exception of three committees in Capital Region of Denmark, which were established in 2012 as permanent committees following dispensation, cf. the act on the municipalities' governance, Section 17, sub-section 4.

**Table 4.2**  
**Number of committees in the regions, excl. executive committees**

	2007	2012
Capital Region of Denmark	4	7
Region Zealand	7	6
Region of Southern Denmark	8	10
Central Denmark Region	13	8
North Denmark Region	9	7

Note.: The committees do not follow the election period as they are intermediate committees of one and two years, respectively.

Source: Data is compiled by Danish Regions.

### Impression from the hearings

On the basis of the committee's hearings, the impression is that as a result of the Local Government Reform, it has become easier for the municipalities and regions to prioritise and streamline the welfare areas. It was pointed out, among other things, that the development in the administration expenses (see section 4.4), the development in the structure on the primary and lower secondary school area (see section 4.6) as well as the development in the structure of the hospital area must be seen as an expression of this change.

To a great extent, the development is attributed to the larger units that have created a greater distance to individual cases. Today, the local councils' decisions are assessed as being more inclined towards determining a political direction. Instead of processing individual cases, policies are being formulated that can be used to exercise management.

At the hearings, it was also expressed that this development towards general governance was entirely necessary in order to ensure reasonable working conditions for the local councils. The volume of cases in an average municipality today is large and it is difficult for members of the local councils to become familiar with the details of all cases. Following the Local Government Reform, fewer municipal politicians will thus cover more task areas. The committee notes that this picture is also reflected in the report from the work group, which was established in 2008-2009 on the municipal politicians' role and working conditions<sup>2</sup>. Additionally, the tasks and working conditions and tasks for regional council members was changed as a consequence of the larger units.

As far as the regions are concerned, it was further indicated that the flexible executive committee governments are generally well-functioning. On some pages it was mentioned that the

<sup>2</sup> Ministry of Economic Affairs and the Interior and Ministry of Social Affairs, Children and Integration (2009): The work group on the roles of municipal politicians and working conditions.

Regions Act did not provide the possibility to prioritise across municipalities and to establish permanent committees, which is bemoaned by some regional council politicians. Dissatisfaction was also expressed that the new legal basis to establish regional permanent committees required dispensation from the Ministry of Economic Affairs and the Interior.

Others pointed out that the establishment of permanent committees give a risk of sectoralization.

Finally, at the hearing several parties complained that the regions did not have a regional authority equal to the municipalities' municipal authority.

#### 4.1.4 Assessment and recommendations

The committee's general assessment is that the Local Government Reform has made changes in the political governance possible in municipalities and regions. Thus, today local councils and regional councils have greater focus on general policies and strategies while there is less focus on the processing of individual cases. Moreover, the committee's assessment is that the regions' flexible executive committee government generally functions well.

##### **Recommendations regarding the adjustment of administration conditions in the regions**

In the light of the indications regarding the regions' administration conditions, which have become apparent in connection with the committee's hearings, the committee has considered whether greater freedom should be created for the regions to organise themselves in the form of further access to establish permanent committees.

The reason for the introduction of the flexible executive committee government in the regions continues to be relevant as the composition and character of the regions' tasks separate themselves significantly from those of the municipalities and those of the former counties.

With the amendment to the Regions Act, the regions have been given the possibility, following dispensation, to establish permanent committees and thus establish a committee government corresponding to the committee government which is the ordinary form of governance according to the municipal governance act.

Currently, only the Capital Region of Denmark has applied for dispensation to introduce committee government. This matter of dispensation has, however, shown that there may also be a need to make another organisation possible, which entails the establishment of permanent committees that are not or are only within some of the regional council's areas, to attend to the immediate administration of the regions' affairs.

Today the local councils have the possibility, pursuant to the municipal governance act, to make the decision that the permanent committees and the finance committee do not, or only within some of their areas, attend to the immediate administration of the municipality's affairs.

On this background, the committee recommends that, without prior approval from the Ministry for Economic Affairs and the Interior, the regions are given the opportunity to establish permanent committees with, as well as without, participating in the immediate administration of

the region's affairs. Importance is also placed on ensuring that inexpedient overlaps do not occur in relation to the competences that are allocated to the regional growth forums in connection with the regional councils' possible establishment of new permanent committees.

On this basis, the individual regional council will have the opportunity to determine regulations on the establishment of permanent committees in the by-laws and these committees' part in the immediate administration of the regions' affairs, including that the committees do not perhaps, or only to a certain extent, attend to the immediate administration within their respective areas. According to the applicable Regions Act, the regional council must inform the relevant state administration on adopted by-laws and amendments to the by-laws and consequently, through the reporting, the state administrations will have the opportunity to ensure whether the regional council's decision on form of governance in the by-laws are in accordance with the legislation on the area and in practice.

In the light of the above recommendation, no basis is found to maintain a regulation that remuneration to members of special committees is only possible when such committees have an intermediate character, given that the relevant requirements for intermediate committees has the intention to support the special executive committee governments in the regions, after which there is no access to establish permanent committees.

It is also recommended by the committee that the regional council are given the possibility to provide remuneration to members of possible special committees without requirement that the committees must have an intermediate character.

It is assumed that with the regional councils' decision on provision of remuneration to members of permanent as well as special committees, the remuneration takes places within the applicable frameworks for remuneration of committee members in the region.

#### **Recommendations regarding adjustments to the access to create cooperation and perform tasks for other public authorities**

In connection with the hearings, it was suggested that the regions are given an authority that is associated to the regions' areas of responsibility (regional authority).

It has been specified that an authority will give the regions a general legal basis to develop new healthcare programmes and to provide counselling or assistance against payment within, e.g. the healthcare area, with the municipalities and within the medical practice area. An example is the cooperation on the care of dying patients in their own home where the regions may not make the means of requisition available. Another example is the establishment of regional clinics where an amendment of the law has been required to give the regions the possibility to solve problems of lack of doctors in certain areas of the country.

However, the committee must state that the introduction of a regional authority will not give the regions the possibility to attend to the mentioned tasks.

The committee can point out a few modifications in the written legislation that will give the regions further possibilities to, partly, attend to tasks on the healthcare area together with others in company form and, partly, to attend to tasks for other public authorities.

*Amendment to the Health Act, Section 78, sub-section 3 and regulation no. 905 of 1 July 2011*

According to Section 78, sub-section 3 of the Health Act, a regional council can, with approval from the Minister for Health, enter into cooperation with public authorities and private companies on the performance of further specified tasks. The provision thus entails that a region that wants to participate in a company, an association, a foundation, etc. that performs the mentioned tasks according to the Health Act, must request approval from the Minister for Health. The provision is realised in the regulation on the regions' access to delivery of hospital services, etc. to public authorities and private companies as well as the regions' access to enter into cooperation with public authorities and private companies.

The committee suggests that the regulations on the area are relaxed so that the regions' participation in companies, etc. covered by the Danish Health Act no longer requires prior minister approval. Referral is also made to the fact that pursuant to the authority mandate, the regions also have *ordinary* access to (i.e. within other areas than the health care) to cooperate with others, including in company form, on the performance of regional tasks without this requiring approval.

To the extent this concerns cooperation that entails curtailment of the region's powers, this should still be approved by the Minister for Health, cf. the principle in Section 60 of the Municipal Governance Act, after which the municipalities' participation in such agreements require prior approval.

*Amendment of Act 548*

According to the so-called Act 548 (act no. 548 of 8 June 2006 on the municipalities' performance of tasks for other public authorities and municipalities' and regions' participation in companies), municipalities can perform tasks for other public authorities under detailed conditions, which the municipality can perform for themselves.

The act does not contain similar access for regions to perform tasks for other public authorities.

The committee proposes that act 548 be changed so that the regions are given the same opportunities as municipalities to perform tasks for other public authorities, which they can perform for themselves.

The proposal will give the regions a general but, however, limited access to perform tasks for other public authorities, which they can perform for themselves. This means that the regions will be able to sell services to municipalities and other public authorities within the threshold value, which according to the public procurement directive applies to services (currently DKK 1.5 million per task).

The proposal has the advantage that it will create symmetry between the municipalities' and the regions' access to sell services to other public authorities. It is noted that the regions' performance of tasks according to the act will be able to take place on the same terms as municipalities, i.e. that the value of the task may not exceed the threshold value that applies ac-



ording to the public procurement directive for services, just as the region must perform a prior cost calculation. In doing so, it is ensured that the regions' performance of tasks in accordance with the law does not conflict with the EU's procurement regulations and prohibition against state support.

## 4.2 Development in the professional and financial sustainability

One of the key interdisciplinary goals of the Local Government Reform was to create municipalities and regions with greater professional and financial sustainability.

It is stated in the agreement on the structure reform, *that with greater professional sustainability in the municipalities, they will be able to independently perform more tasks of a technical and environmental nature and be able to ensure an improved infrastructure and business development.*

Regarding the regions, it states *that larger regions will gain an improved professional and financial basis in order to perform the hospital task (...). With fewer regions, there will be a better basis to gather more types of treatment, utilise the advantages of specialisation and secure improved utilisation of the scarce personnel resources. Furthermore, there will be a better basis to comply with uniform national quality standards. (...).*

The need for enhanced professional and financial sustainability was one of the main reasons for the recommendations from the Structural Commission on the structural reform. The Structural Commission's report thus states that:

*The Commission's analyses show that a large part of the current administration units are inappropriately small in relation to the task performance the legislators require today. The smaller municipalities have problems to ensure sufficient professional sustainability in the task performance in a number of areas and have higher costs per inhabitant adjusted for differences in municipalities' cost needs and financial capacity. (...).*

The Structural Commission also pointed out that larger administration units will provide higher quality and greater efficiency in the public performance of tasks.

The terms professional and financial sustainability are described in the following. An assessment is then conducted of the development in professional and financial sustainability after the implementation of the Local Government Reform.

### 4.2.1 Professional sustainability

In general, professional sustainability regards the public authorities and institutions prerequisites to perform a high target fulfilment in relation to the objectives that are determined politically, nationally and locally.

The Structural Commission defined a professionally sustainable unit as a unit that in terms of personnel, technology, organisation and management, has the prerequisites to perform the tasks with a high degree of target fulfilment.

Thus, this is about the possibilities to ensure the necessary professional competence in the form of specialist knowledge, gathering of experiences, knowledge development, etc. In extension of this, professional sustainability has a connection to geographic and population conditions given that the possibilities to establish professionally sustainable units is linked to the number of users.

Furthermore, the term sustainability requires in a forward-looking perspective, that there is development capacity in the unit that performs a given task. This means that in addition to the daily operational performance of the tasks, the unit has the reserve of energy to plan and develop the performance of tasks looking forward with a high degree of target fulfilment.

Finally, professional sustainability is also associated with the cohesion in the performance of tasks. A cohesive performance of tasks in related areas can probably strengthen the professional sustainability in the overall performance of tasks.

#### 4.2.2 Assessment of the development in professional sustainability

The committee's assessment of the development in professional sustainability is conducted on the basis of, partly, an interview survey with municipalities and regions carried out in 2009 and, partly, the series of hearings the committee has held in connection with this evaluation.

In 2009 – almost two years after the Local Government Reform came into force – the Ministry of Economic Affairs and the Interior and the Ministry of Social Affairs, Children and Integration, Local Government Denmark and Danish Regions, conducted an interview survey among the municipalities and regions where, for example, the development in professional sustainability was asked about.<sup>3</sup>

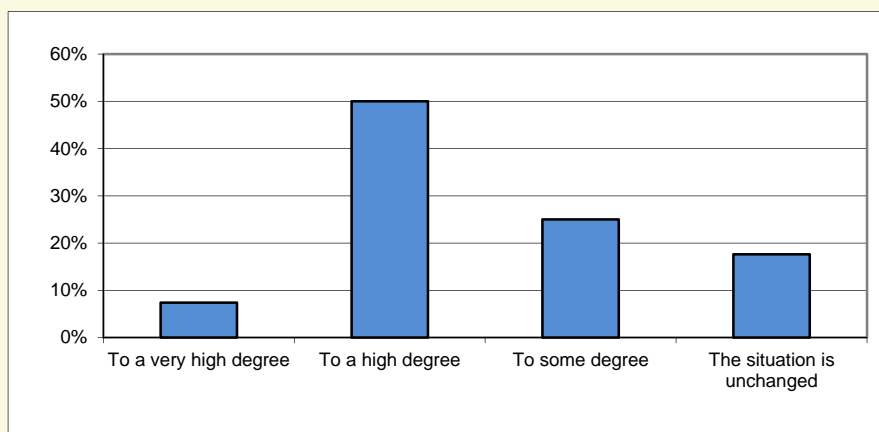
82 percent of the municipalities and regions responded in the survey that the Local Government Reform, to some, to a high or very high degree, had contributed to enhancing the professional sustainability in the performance of tasks, cf. figure 4.1.

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<sup>3</sup> The Ministry of Economic Affairs and the Interior and the Ministry of Social Affairs, Children and Integration, Local Government Denmark and Danish Regions (2009) Status for the Implementation of the Local Government Reform – 2009. Telephone interviews with mayors, municipal chief executives, regional council chairmen and regional chief executives were conducted. 84 of the 98 municipalities and 4 of the 5 regions participated in the survey, which gives a response percent of 86 for municipalities and 80 for regions.

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**Figure 4.1**  
**Has the Local Government Reform contributed to increasing professional sustainability in the municipalities'/regions' task performance?**



N= 88 municipalities/regions

Source: The Ministry of Economic Affairs and the Interior, Ministry of Social Affairs, Children and Integration, LGDK and Danish Regions (2009).

For the municipalities, the responses from the merged and unchanged municipalities were significantly different from each other. Basically all the merged municipalities (98 percent) found that the Local Government Reform either to a very high degree, a high degree or to some degree had contributed to enhancing the professional sustainability. In the unchanged municipalities, 50 percent found that the professional sustainability had increased to some, to a high or to a very high degree.

The picture that the Local Government Reform has general led to strengthened professional sustainability was confirmed at the committee's hearings in connection with this evaluation.

Thus, it was unanimously emphasised that the professional level in both municipalities and regions had been strengthened by the Local Government Reform. In relation to the municipalities, the nature, environment and planning area was mentioned, for example. In relation to the regions, the hospital area and regional development were mentioned.

There were descriptions that now that a larger group of employees exist within the same professional field has had a significant impact in the municipalities. This applies to task areas the municipalities took over in connection with the Local Government Reform and to the traditional municipal areas in which the municipality mergers has led to a larger volume. It was mentioned that the larger volume of employees in the areas has, among other things, been instrumental in the regions as well as municipalities coming up with innovative task performance, reorganising themselves and/or increasing the quality.

It was likewise mentioned that the fact that several related professional groups are gathered in the municipalities does not only increase professionalism within, e.g. special education and the primary and lower secondary school area, but it also gives an improved basis for an overall view of the citizens.

Finally, the municipal and regional administration was also highlighted as areas in which a professional boost has occurred. This provides, for example, the possibility for streamlining of administration and operation as well as shorter case processing times. This also leads to improved case preparation and consequently a better basis for decision for the political level.

At the hearings it was reported that there are also areas where there is uncertainty whether the municipalities' professional sustainability has reached its target or whether the smaller municipalities have sufficient volume to be able to achieve professional sustainability. In this regard, the municipalities' professionalism on the specialised social service area and healthcare area was mentioned.

All in all, the committee assesses that the professional sustainability in general has been strengthened on the basis of the Local Government Reform. At the same time, there are task areas where there are differences between the sustainability levels between municipalities, which could impact ensuring a high degree of target fulfilment in task performance. It must also be clarified that professional sustainability does not assume that the individual municipality or region can be fully self-sufficient and operate programmes and efforts that meet everyone's needs.

#### 4.2.3 Financial sustainability

Another aspect of sustainability regards financial sustainability. In its report, the Structural Commission defined financial sustainability as the units' ability to finance their tasks and the robustness in their finances.

The Structural Commission reported that inadequate financial sustainability can be due to large costs that can vary and are not covered via the financing system to a sufficient extent. In the majority of cases it must be assumed that random variations in the pressure of costs will more or less even each other out. But in smaller municipalities in particular, large variations in the pressure of costs in an individual area can lead to pressure on the municipality's financing.

Financial sustainability entails that a unit must be able to bear such risks without the cost consequences growing too large in relation to the unit's overall finances.

In connection with the sustainability considerations, the Structural Commission also assessed financial effectiveness. Financial effectiveness was defined as the ratio between results (outcome) and costs. The Structural Commission pointed out that the size of the administration units can impact the financial effectiveness as a result of economies of scale and/or diseconomies of scale. Economies of scale are linked to the administrative functions to a great extent, but also day-care and the primary and lower secondary school area is emphasised.

#### 4.2.4 Assessment of the development in financial sustainability

The committee's assessment of the development in financial sustainability is conducted on the background of partly, the 2009 interview survey mentioned in section 4.2.2 and, partly, the development in the municipalities' service costs and the regions' health costs, respectively, after the Local Government Reform and finally, the hearings the committee held in connection with this evaluation.

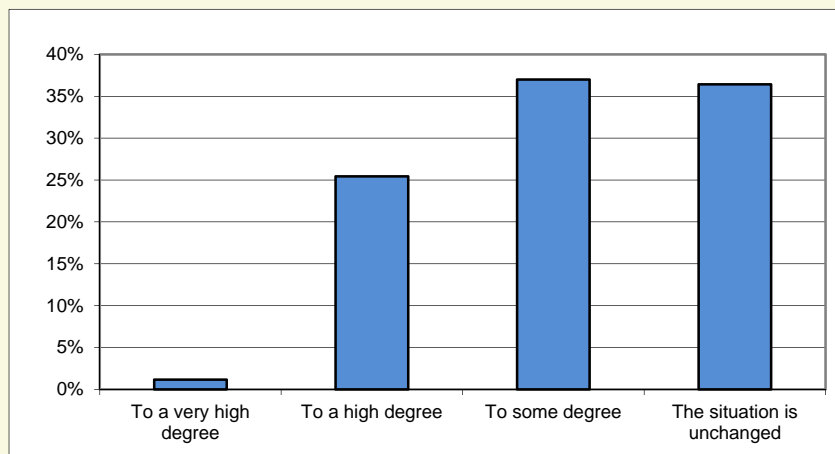
Firstly, it must be mentioned that the interview survey conducted in 2009 by the Ministry of the Interior and Social Affairs at the time, Local Government Denmark and Danish Regions, the "units' ability to finance their tasks and the robustness of their finances" was not asked about. Only streamlining as an aspect of the financial sustainability in the new units was asked about.

Specifically, the municipalities' and regions' assessments of streamlining on the administrative area were asked about, as this area in particular had been indicated as having potential for streamlining.

The survey showed that 64 percent of the municipalities and regions assessed that the administration to some or to a very high degree had become more efficient. 36 percent assessed that the situation was unchanged, cf. figure 4.2.

**Figure 4.2**

**Do you believe the municipal/regional administration has become more efficient as a result of the Local Government Reform?**



N= 87 municipalities/regions

Source: The Ministry of Economic Affairs and the Interior, Ministry of Social Affairs, Children and Integration, LGDK and Danish Regions (2009).

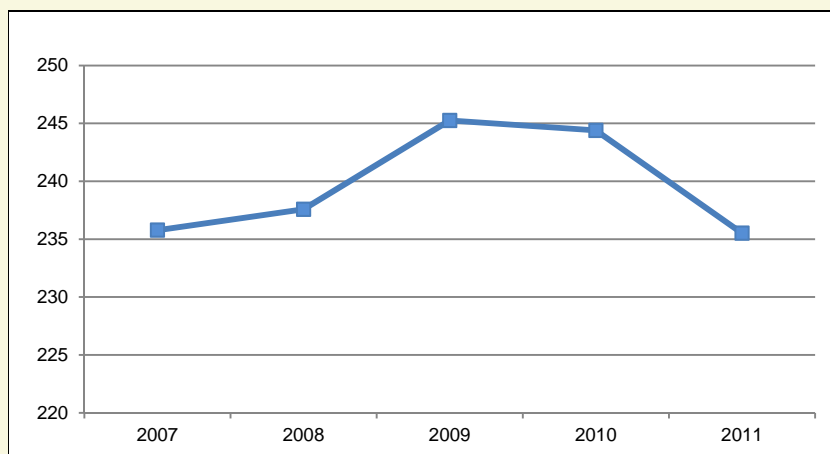
The responses from unchanged and merged municipalities to this question varied significantly. Among the merged municipalities, 71 percent found that the administration had become more efficient to some, to a high or to a very high degree. Among the unchanged municipalities the result was just under half (45 percent).

For comparison, the actual development in the municipalities' and regions' administration consumption after the Local Government Reform (2007-2011) is described and assessed in section 4.4.

Administration is mentioned as one aspect of the municipalities' and regions' costs. But it is also relevant to look at the municipalities' and regions' costs in a broader sense, i.e. as far as municipalities are concerned, the overall service costs and for regions, the health costs.

A calculation of the municipalities' net service costs for 2007-2011 apparent in figure 4.3., shows that the municipal net service costs initially increased and have dropped again since.

**Figure 4.3**  
Development in the municipalities' net service costs 2007-2011 (DKK billion)

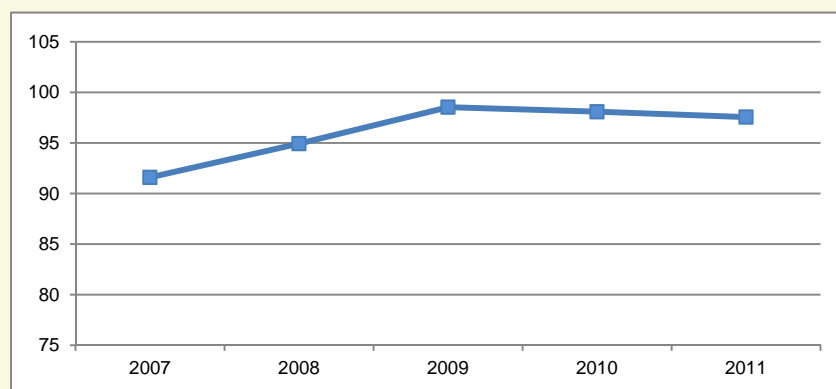


Note: The municipalities' net service costs are counted at 2011 task level and 2013 price and wage level. The net service costs are calculated incl. activity-specific co-financing of the healthcare area and revenues regarding the central reimbursement scheme in the social services area.

The municipal net service costs thus increased from DKK 235.8 billion in 2007 to DKK 245.2 billion in 2009. This corresponds to an increase of 3.2 percent and covers, for example, a larger exceeding of the budget in 2009 of approx. DKK 5 billion. Subsequently, a cost adjustment has taken place in the municipalities so that on the whole, the costs have dropped by 3.6 percent from 2009 to 2011. Thus, the municipal net service costs comprised DKK 235.5 billion in 2011 which was almost DKK 5 billion under the 2011 budget.

A change in the cost development on the healthcare area can also be observed in the regions, which is the regions' largest operating task.

**Figure 4.4**  
The regions' healthcare costs 207-2011 (DKK billion)



Note: 2013 prices, 2011 task level. Calculated as the regions' net operating costs for adjusted tasks for the healthcare area (hospitals, medical practice and hospital medicine).

Figure 4.4 shows that the regions' costs for health have increased by approx. DKK 6 billion from 2007 to approx. DKK 97.6 billion in 2011 (2011 task level). This covers a considerable growth from 2007 up to 2009 where an exceeding of the budget occurred of approx. DKK 1.5 billion and that the costs have stagnated since 2009.

In relation to the cost development in the health area, it must be noted that in the hospital area – which comprises almost 77 percent of the overall regional health costs – there has been considerable growth in productivity in the period mentioned, which is apparent in table 4.3.

**Table 4.3**  
Year to year productivity development in percent in the hospital area

2007-2008	2008-2009	2009-2010	2010-2011
-3.2*	4.2	5.6	5.3

\* In spring 2008 the healthcare area was affected by an eight-week conflict which meant, among other things, that the hospital capacity was not fully utilised.

Source: Danish Regions, Ministry of Finance and the Ministry of Health (2012).

Finally, it must be mentioned that at the committee's hearings, it was indicated that a strengthening of the financial stability has occurred and that the main part of the realised streamlining has taken place after 2009.

It was unanimously emphasised about the municipalities that the larger municipalities in themselves have given greater financial sustainability. It was mentioned that it is not a question of absolute size of the funds, but rather about the total sum that can be worked with. A



municipality does not run the risk in the same way as previously of being "knocked down" if cost-demanding situations occur, e.g. in the case of a brain-damaged citizen.

It was also stated that the municipalities' higher competence level as a result of the Local Government Reform has a cost-curbing effect and thus strengthens the financial sustainability.

Regarding the regions, it was mentioned that the changed hospital structure with fewer hospitals, fewer sites and less hospital management has provided opportunities for streamlining.

In relation to acquiring the gains of streamlining, at the hearings it was stated that the first election period was primarily about getting together in the new merged municipalities and newly established regions. The assessment presented at the hearings was that it is only now that the municipalities and regions can utilise the potential that was created with the Local Government Reform.

All in all, the committee assesses that the financial sustainability in general has been strengthened on the basis of the Local Government Reform. The committee's assessments of the measurable administrative streamlining in the period 2007-2011 are dealt with in section 4.4.

### 4.3 Development in the administration structures in municipalities and regions

Since the Local Government Reform, major restructuring in the organisation of the municipal and regional key administrative functions has occurred. The larger units have given rise to streamlining the administration structures. The restructuring has taken place with a view to supporting the quality and professionalism in the administrative functions and to acquire financial economies of scale.

This section provides an overview of the development in the administration structure in the municipalities and regions from the period before the Local Government Reform and up to now.

The administration structures are understood as both the organisation at senior management level, the organisational structure of the central administrations, the institution structure as well as the relation between the central administrations and the de-central institutions.

#### 4.3.1 Development in the municipalities' administration structure

Since the previous Local Government Reform in 1970, a marked development in the interaction between politicians and employees in the municipalities has occurred. For example, this is illustrated by the fact that in 1966 there was an average of 4.6 employees per elected official; in 1985 the number was twentyfold so there were 94.7 employees per elected official, cf. table 4.4. In 2010, the number of employees per elected official was doubled further.

**Table 4.4**  
**Development in the number of elected officials and number of employees in the municipalities**

	1965(66)	1985	2010
Number of elected officials	10,005	4,773	2,468
Number of employees	46,020	451,916	527,755
Number of employees per elected official	4.6	94.7	213.8

Notes: The number of elected officials in 1985 is adjusted in relation to the corresponding figure from the source after dialogue with the author.

The number of elected officials reported in 1965 applies only from 1966.

Source: Blom-Hansen, et. Al (2012) p. 158

The Local Government Reform in 1970 as well as reforms (sharing of costs and task reforms on the social services and school areas) meant an increase in the municipal politicians' areas of responsibility both geographically and in terms of tasks plus an increase in the number of municipal employees. At the same time, the number of elected officials was reduced. This development was further boosted with the Local Government Reform in 2007. Moreover, the scope and complexity of legislation as well as the professional requirements grew over the years.

The major changes in the framework conditions have created a need for another relation between the elected officials and the administrations. A, by far, larger part of the detail decisions have become the responsibility of the employee managers. The politicians' governing role in many municipalities has been affected by this, cf. section 4.1.

#### **Administrative organisation models**

Traditionally, municipalities have used an "administration model" with an administration divided into sectors, each of which serves one or more political special committee. Each administration is led by a manager who has a relatively close cooperation with the relevant political special committees. In the executive group, each director has an independent responsibility for his sector administration with associated institutions and naturally contributes with a clear focus on the sector for the work of the executive group.

In addition, there is the more recent "executive model" with collective responsibility for the preparation of cases at the political level and the subsequent governing of the institutions. The professional administration responsibility is toned down in the executive committee in favour of requirements for a more systematic documentation of results and resources that make interdisciplinary prioritisation possible. The professional responsibility lies with managers who report to the executive committee by which yet another management layer has been placed in the municipal hierarchy.

In 2008, a study was conducted on the prevalence of the various organisation models<sup>4</sup>. As is apparent in table 4.5, approximately a third of the municipalities still used the traditional administration model. Only 15 percent had a purely executive committee model, while about half had a mixture where the coordination is stronger than in the administration model, but without an actual collective responsibility. The study also showed that the executive committee model strengthens coordination. The link between the committee chairmen and the relevant executives becomes weaker, while the unit administration way of thinking becomes clearer.

**Table 4.5**  
Distribution of municipalities in regard to organisation models in 2008

	Administration model	Executive committee model	Mixed model
Number of municipalities (N=94)	33	15	46

Source: Bækgaard (2011).

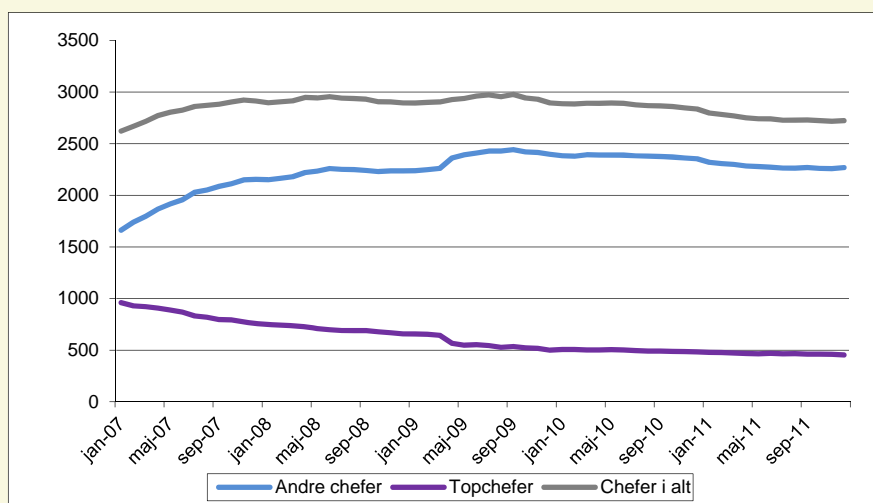
#### Executive committees

In the period from 2007, a reduction in the number of senior executives occurred in the municipalities, cf. figure 4.5. The number of municipal chief executives and administrative managers has thus been halved since 2007.

However, there has been a similar increase in the number of other municipal administrative managers. The overall number of managers in the municipalities is thus at the same level as immediately after the implementation of the Local Government Reform.

<sup>4</sup> Bækgaard (2011): "The Impact of Formal Organizational Structure on Politico-Administrative Interaction. Evidence from a Natural Experiment", *Public Administration*, 89th volume, no. 3, p. 1063-1080.

**Figure 4.5**  
Senior executives and other administrative managers in municipalities since 2007



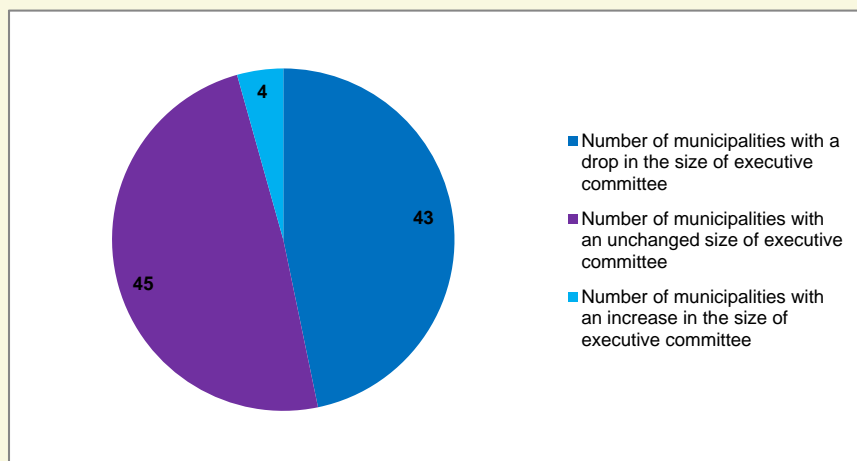
Note: Frederiksberg Municipality and City of Copenhagen use another position categorisation than the remaining municipalities and are therefore not included in the figure. The number of managers is thus not immediately comparable between the metropolitan area and the remaining municipalities. Up to and including March 2009, the managers in Copenhagen on salary scale 49 are not featured in the special manager agreements between AC and HK. This means that the number of managers in Copenhagen from and including April 2009 features a broad group of managers than previously.

Note: Andre chefer: Administrative managers  
Topchefer : Senior executives  
Chefer i alt: Total

Source: Kommunernes og Regionernes Løndatakontor

After the merging process was implemented in the municipalities, many executive committees have been trimmed down. The executive committees from 2010 to 2012 have become smaller in 43 municipalities, in 45 municipalities the size has remained unchanged and lastly, the executive committees have grown in four municipalities. This has not been possible to calculate in the remaining municipalities, cf. figure 4.6.

**Figure 4.6**  
Distribution and development of executive committee sizes from 2010 to 2012



Source: Data gathered by LGDK in 2010 and 2012.

Table 4.6 shows that a drop from the average 4.9 executive committee members in 2010 has occurred to an average of 4.3 executive committee members in 2012.

**Table 4.6**  
Development in the number of executive committee members

	2010	2012
Average number of executive committee members	4.9 (N=91)	4.3 (N=92)

Source: Data gathered by LGDK in 2010 and 2012.

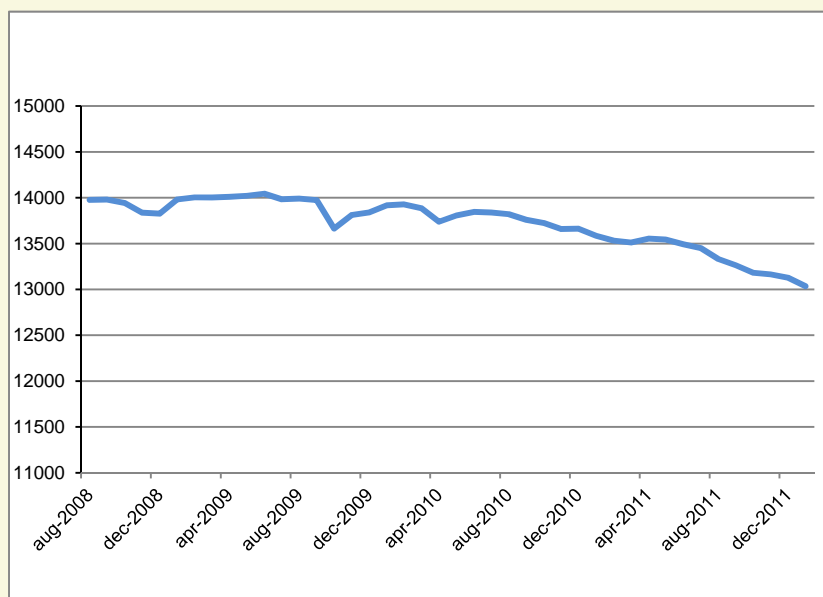
### De-central institutions

Since the Local Government Reform, the way in which municipalities produce and deliver welfare services has been undergoing change. For example, it has been possible to observe that within the primary and lower secondary school area and the day-care area an increase in the number of mergers has taken place, cf. section 4.6.

At the same time, many municipalities have centralised a number of administrative tasks from the de-centralised institutions with a view to achieve streamlining in the form of standardisation and automation. The tendency is supported by the development in the number of managers in the day-care, education and elderly area, where the number of managers in the day-

care, education and elderly area has declined by approx. 1,000 from August 2008 to January 2012, cf. figure 4.7.

**Figure 4.7**  
Number of managers in the day-care, education and elderly care areas 2008-2012



Source: Kommunernes og Regionernes Løndatakontor

Other examples of tasks that have become centralised in the municipalities are payroll administration, personnel administration, operation and maintenance of properties, procurement, etc. A number of municipalities have also established a central operations office where through larger tenders and improved coordination across areas, economies of scale have been realised.

#### 4.3.2 Development in the regions' administration structure

Where the counties' political structure with permanent committees is reflected in the county administration structure with columns for each field/committee area, the aim of the regions' administration structure is to support the administration as one consolidated organisation. This is reflected in the administrative structures. Where the counties' administrative structure was generally built up over the sector administration structure, the regions are generally organised according to a group management model.

From the outset, some regions chose a group model, while others were more hesitant and only later established themselves with a group management.<sup>5</sup>

What characterises group management is that it is introduced in order to create a horizontal cohesion across the individual sector areas. Thus, group management aims at management taking responsibility transversally and ensuring cohesion at central level, while at the de-central level work is done on the vertical cohesion.

#### **Description of the regional models**

The regions' administrative structure has developed since the formation of the regions. Consequently, several regions have changed and adjusted in their organisational structure in the period 2007-2012. The regions' administrative structure has all its starting points in the group management model, but varies as far as specific organisation of management bodies are concerned and where the interdisciplinary coordinating is anchored.

#### **Executive committee level**

The general tendency is that each region has an executive committee, which at central level has the horizontal managerial responsibility in the region and consists of the joint management for the entire group. Among other things, the executive committee holds weekly executive committee meetings, attends to the overall horizontal coordination of the region's complete task portfolio and strategic initiatives.

The regions' executive committees consist of 3-5 members of which the regional chief executive alone has the overall administrative responsibility for the region as a group. In the Region of Southern Denmark, the regional chief executive is also the executive for regional development. But generally in practice, the other executives have divided the areas between them, often across the four main areas. A general characteristic at executive committee level is consequently a marked degree of unit management, which has the task of implementing the adopted policy through interdisciplinary prioritising and strategic efforts.

#### **Interdisciplinary coordination**

There are one or more manager forums under the executive committee level that is tasked with ensuring interdisciplinary coordination and coordination across the region. In several regions, this forum is placed under the term extended executive committee or group management. The basic idea in this form of organisation is that the managers have, besides responsibility for their own units, an overall responsibility to ensure across all parts of the group a unit and concern-bearing mindset where there is focus on the needs of the whole group.

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<sup>5</sup> Christoffersen and Klausen (2009); Den danske regionskonstruktion. Spillet om Region Midtjyllands dannelse og konsolidering (The Danish Regional Construction. The play for the formation and consolidation of the Central Denmark Region).

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**Interdisciplinary functions**

The interdisciplinary staff has the task of ensuring professional support of the region's activities across business areas.

In all regions, interdisciplinary staff functions have been established, which typically includes the classic staff, a regional secretariat, finance, HR and communication. In several regions, the staff functions are an integrated part of the extended executive committee or group management with a view to creating interdisciplinary coordination and cohesion.

Today, a tendency is seen to centralise administrative functions where focus is on gathering the administrative units into interdisciplinary centres, cf. the section on the administrative support functions below.

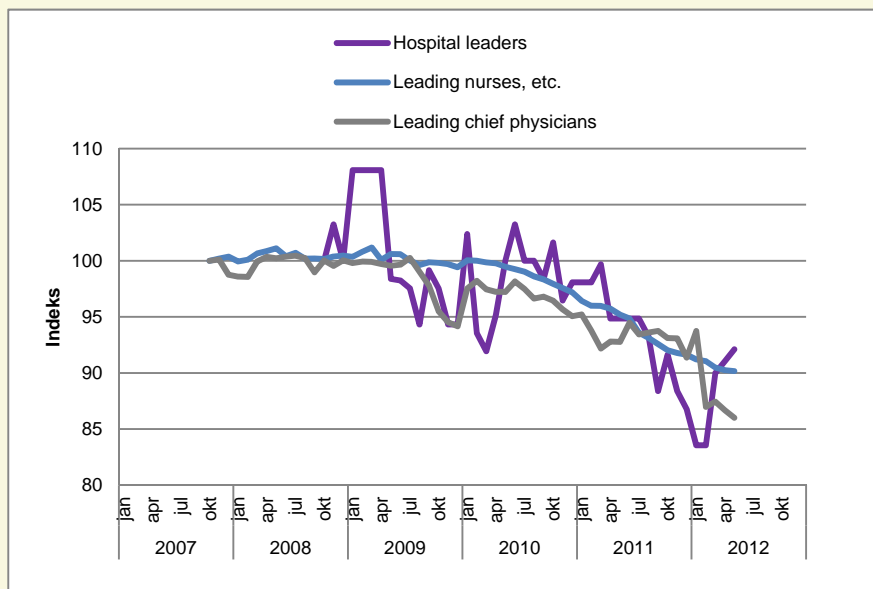
**Administrative structure in the hospital area**

The group mindset has had an impact on the hospital area in particular. The regions have merged various county hospital services and implemented overall hospital planning (see section 4.6.3).

This is reflected directly in the number of de-central managers. The number of de-central managers in the hospital area has dropped since 2007, cf. figure 4.8. This applies to both the number of hospital chief executives as well as deputy hospital chief executives (a drop of 8 percent) and professional personnel in leading positions at hospital, department or section level, respectively, 10 percent for leading nurses, etc. and 14 percent for leading chief physicians.



**Figure 4.8**  
Full-time employed de-central leaders in the hospital area 2007-2012



Note: Hospital leaders typically include hospital directors, but also hospital deputy directors to the extent they are employed under an administrative executive collective agreement. Alternatively, hospital deputy directors can be employed under a professional collective agreement like, for example, leading chief physicians and leading nurses. The fluctuation in the graphs can thus be due to a change over time in employment under a professional collective agreement or an administrative executive collective agreement, respectively.

Source: Kommunernes og Regionernes Løndatakontor and Danish Regions.

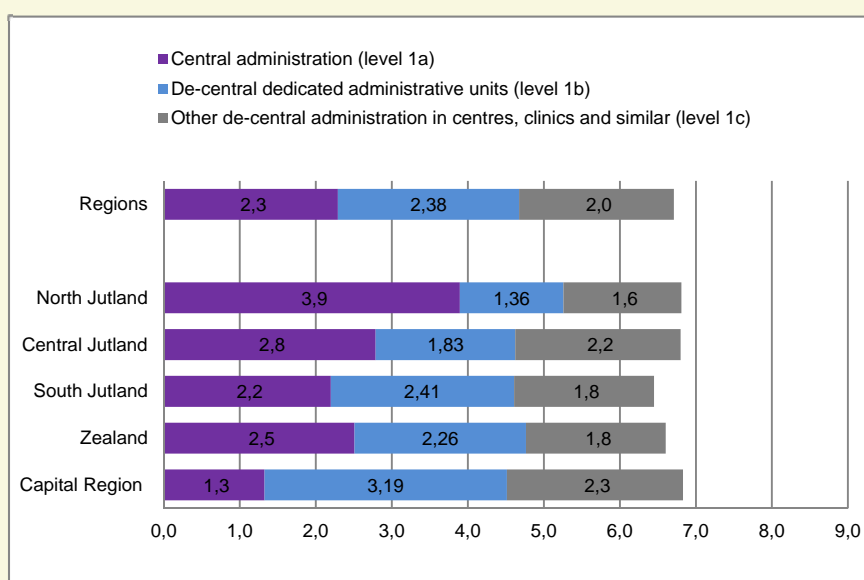
The new hospital structure has led to a reorganising of the hospital management models in all regions. Several regions have also introduced hospital managers across sites so that a number of former independent hospitals are gathered into units with joint management.

#### Administrative support functions

Administrative support functions cover both classic tasks such as payroll administration and bookkeeping and tasks such as IT, procurement and logistics.

The regions have chosen a very different structure in relation to how central or de-central, respectively, the administrative functions and the administrative tasks are organised. Some regions have gathered a large part of the administrative functions into joint units, others have chosen to retain or place larger parts of the administrative functions de-centrally at the individual hospital and institution.

**Figure 4.9**  
Administrative employees in the individual regions distributed between central and de-central levels in percent of all employees in 2011



Source: Danish Regions (2012): Benchmarking of the regions' joint functions (administration, etc.)

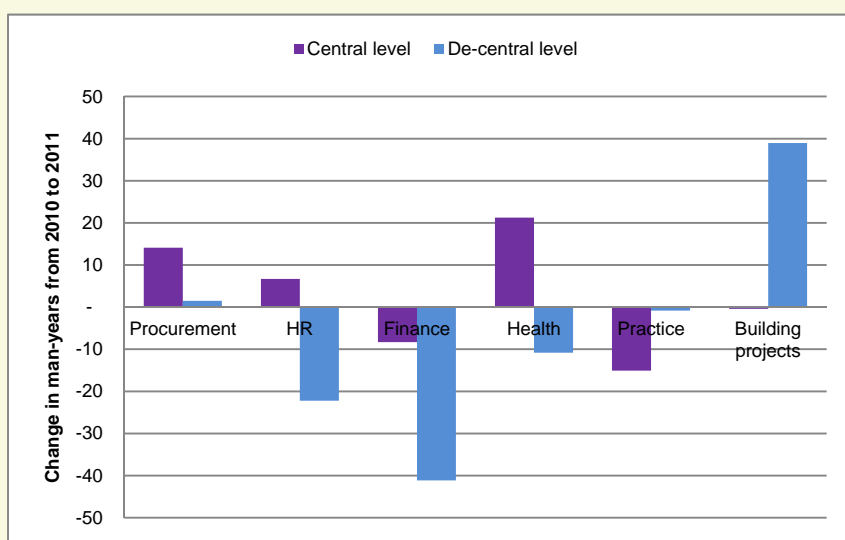
The above figure 4.9 provides a picture of the number of administrative employees distributed between central and de-central level in the individual regions in percent of all employees in 2011. In the past year, the number of administrative employees at the regions' central level has grown, while at the de-central level administrative level has reduced, cf. box 4.1. This indicates that the regions are gathering functions into joint units, cf. figure 4.10.

For example, the procurement and logistics area is strengthened centrally with a view to achieving savings by creating a strategic procurement and logistics area. In all five regions one strategic procurement function has been established with the possibility to optimise the processes and realise the streamlining potential.

Another example of the strengthening of an area is that all regions have established central building departments and de-central project organisation which, together with the responsibility for the ongoing maintenance of hospitals and other buildings, are responsible for managing the coming 8-10 years' significant new constructions in the regions. These mainly regard the state quality fund constructions of new, larger hospitals.

**Figure 4.10**

Full-time employees at central and de-central administrative level – procurement, logistics, HR and payroll administration, finance and accounts, etc.



Source: Danish Regions (2010, 2011): Benchmarking of the regions' joint functions (administration, etc.)

#### 4.4 Development in the administrative resource consumption in municipalities and regions

With the Local Government Reform there was an expectation that with the larger political-administrative units it would be possible to acquire economies of scale – not least within administration.

The municipal and regional administration covers a number of different tasks, cf. box 4.1.

**Box 4.1****The municipal and regional administration**

Administration is broadly defined in the analyses and includes administrative support functions, including IT, payroll, personnel and finance functions, as well as other administrative functions. The purpose of these functions is to support the operation of the main part of the municipalities' and regions' activities and to service the political system.

In municipalities, administration also includes authority tasks where decisions are made that have consequences for citizens and companies, e.g. in citizens' service and in case processing within the children's, school, elderly, social services and employment areas (including job centres), nature and environmental protection and construction project processing.

In regions, administration also includes quality development and planning of treatment programmes that cross between regions, hospitals, general practitioners, municipalities, etc., managing and coordinating of quality fund construction projects as well as operational tasks within regional development, for example, soil contamination and other core tasks within the area related to growth, development and tourism.

The organisation of central or de-central administrative functions and administrative tasks varies from municipality to municipality and region to region. Some municipalities and regions have gathered a large part of the administrative functions into joint units, others have chosen to retain or place larger parts of the administration de-centrally at the individual institution, i.e. libraries, schools, day-care institutions, care homes, home health care, social initiatives, hospitals, etc. Employees in the de-central administration can also perform tasks that are in addition to tasks of an administrative and managerial character. These tasks are included in the professional task performance within the specific area.

For the committee's work, KORA – The National Institute for Analysis and Research for Municipalities and Regions, have prepared analyses on the development in the municipalities and regions, respectively, administration costs after the Local Government Reform.<sup>6</sup>

Firstly, it must be clarified that the calculations for the municipalities and regions are not directly comparable given that common calculation methods do not exist.

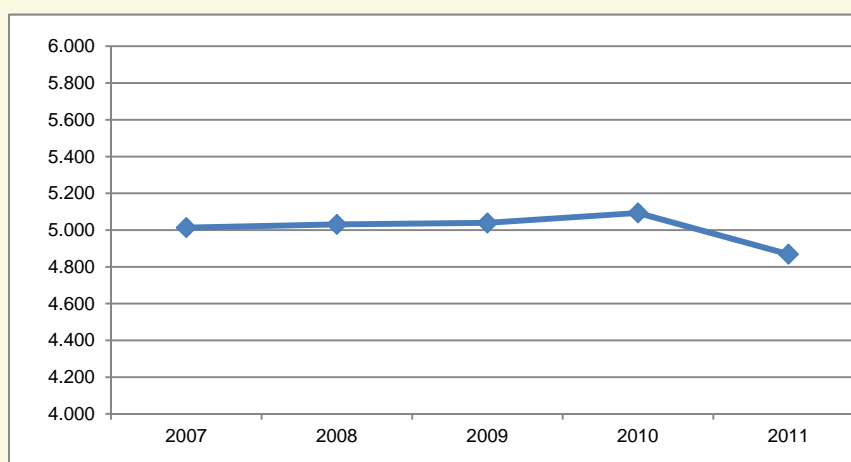
#### 4.4.1 Development in administrative resource consumption in the municipalities

In the first year after the Local Government Reform, the municipalities costs for the central administration increased (administrations, job centres, etc.) cf. figure 4.11.

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<sup>6</sup> KORA (2012c): The municipalities' administrative resource consumption 2007-2011 and KORA (2012f): The regions' administrative resource consumption 2007-2011.

**Figure 4.11**  
**Development of the municipalities' administration costs (DKK) per inhabitant 2007-2011, 2011 price and wage level**



Source: KORA (2012c).

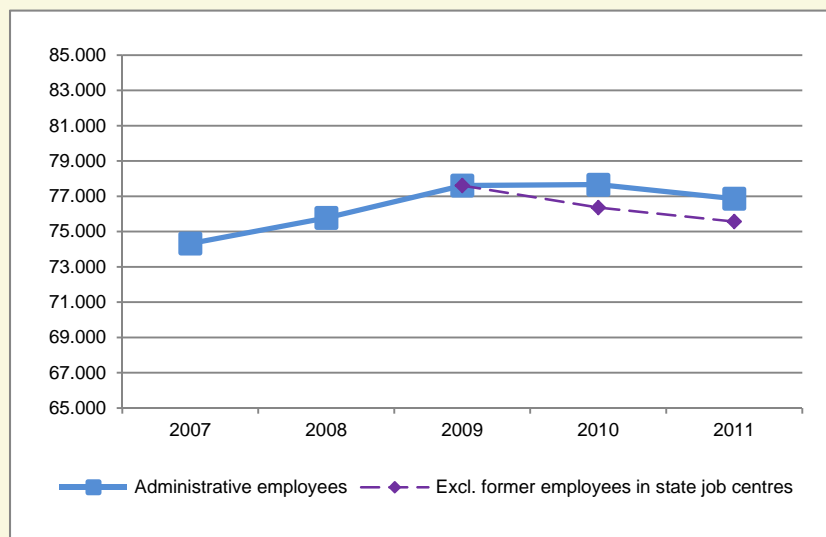
From 2010 to 2011 the municipalities have implemented a significant adjustment of the costs for the central administration. During the period, the municipalities' administration costs and thus dropped overall by DKK 144 per inhabitant from 2007 to 2011 corresponding to a drop of approx. 2.9 percent. It is noted that the calculation cannot take into consideration the task changes (DUT) connected to the take-over of the total employment effort in mid-2009, cf. below as well. If this is taken into consideration in the calculation of the municipalities' administrative costs, then the drop in costs from 2007 to 2011 is approximately double the amount.

The overall development at national level covers significant differences at municipal level: approx. 45 percent of the municipalities have reduced costs per inhabitant for central administration from 2007 to 2011, while the remaining 55 percent of the municipalities have had increasing costs.

The calculation of the costs for the central administration does not, however, take into consideration costs for the de-central administration in the municipalities (day-care centres, schools, the elderly area, etc.).

It is possible to get a picture of the overall municipal administration by looking at the number of administrative employees who attend to administrative tasks both centrally and de-centrally. Thus, figure 4.12 shows that the total number of administrative employees centrally and de-centrally in the municipalities in the period 2007 to 2011 has increased from 74,322 to 76,864 corresponding to an increase of 3.4 percent.

**Figure 4.12**  
Development in the number of municipalities' administrative employees 2007-2011



Source: KORA (2012c).

For the calculation of administration costs and administrative personnel, it applies that changes to the municipalities' tasks have not been adjusted, including especially the municipalities' taking over of the overall employment effort mid-2009. Part of the increase in the municipalities' administrative costs up to 2010 as well as in the number of administrative employees must consequently be seen in the light of the fact that in connection with the municipalities' taking over of the overall employment effort, approx. 1,300 man-years was transferred from the state to the municipalities. Figure 4.2 illustrates the development in the number of administrative employees if the municipalities' taking over of 1,300 former employees in the state job centres is adjusted for.

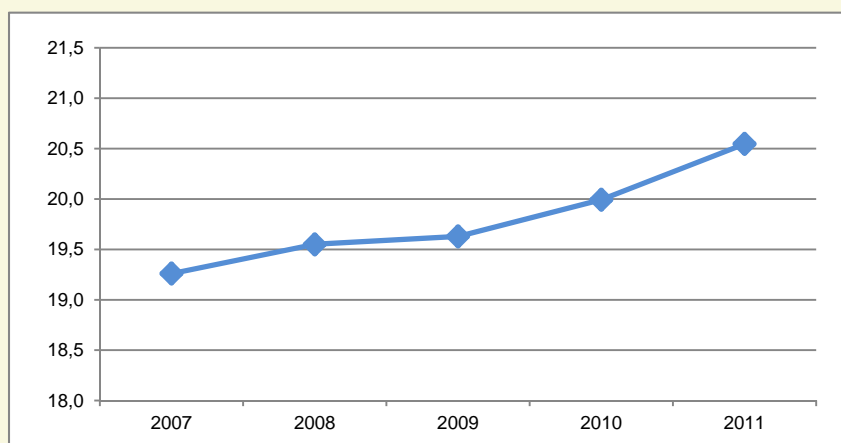
As is apparent in figure 4.12, the number of administrative employees has dropped from 2010 to 2011. However, not only the number of administrative employees has dropped. In recent years, there has been a drop in the overall number of employees in the municipalities. The development must be seen in the light of the fact that since 2009 the municipalities have implemented a considerable adjustment of the overall level for the municipal service costs, cf. previous figure 4.3.

Figure 4.13 shows that the municipalities' administration share, i.e. the administrative employees' share of the total number of municipal employees at national level has increased from approx. 19.3 percent to approx. 20.6 percent in the period 2007 to 2011, corresponding to an increase of approx. 1.3 percentage points. The reduction in the number of administra-

tive employees from 2010 to 2011 that is apparent in figure 4.12 is thus followed by a proportionately larger drop in the number of non-administrative employees.

**Figure 4.13**

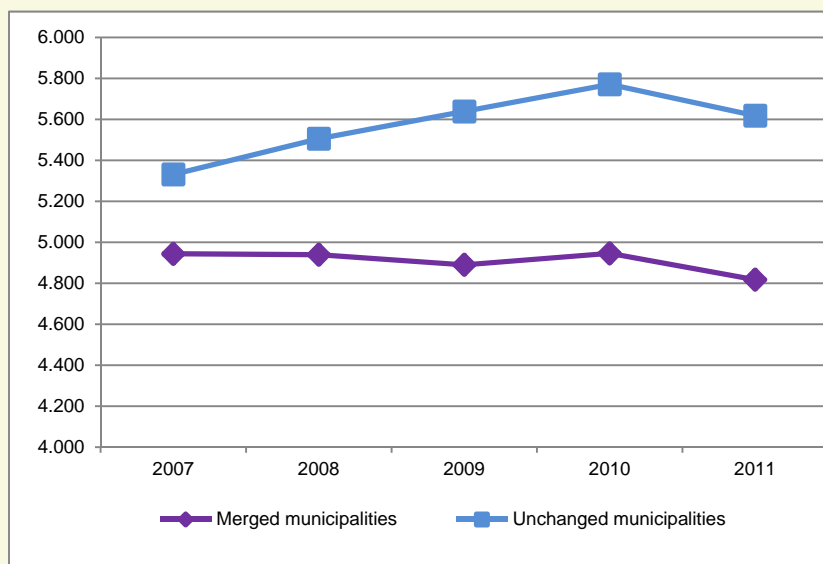
**Development in the share of municipal administrative employees (percent) of all employees in the municipalities 2007-2011**



Source: KORA (2012c).

The development in the administrative resource consumption separates itself for those municipalities that were merged in connection with the Local Government Reform and those municipalities that continued as before.

Figure 4.14 shows that the average costs of the merged municipality for the central administration per inhabitant were already lower in 2007 than the costs in the average unchanged municipality. In the period from 2007 to 2011, this difference has become greater. In the average unchanged municipality, the costs have increased by approx. 5.4 percent, while the costs in the average merged municipality has dropped by approx. 2.7 percent.

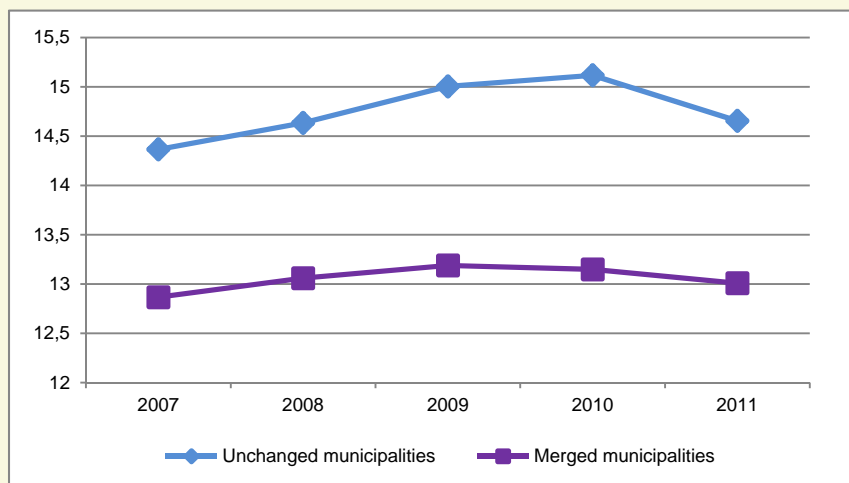
**Figure 4.5****Development in municipal administration costs (DKK) per inhabitant 2007-2011, 2011 price and wage level**

Source.: KORA (2012c).

Figure 4.15 shows that the number of administrative employees per 1,000 inhabitants from 2007 to 2011 is likewise lower in the average merged municipality than in the average unchanged municipality. In the same period, the number of administrative employees rises in the average unchanged municipality and merged municipality with 2 percent and 1 percent, respectively. From 2010 to 2011 the percent reduction in the average unchanged municipality's administrative employees per 1,000 inhabitants has been larger than in the average merged municipality.



**Figure 4.6**  
Development in the number of administrative employees per 1,000 inhabitants 2007-2011

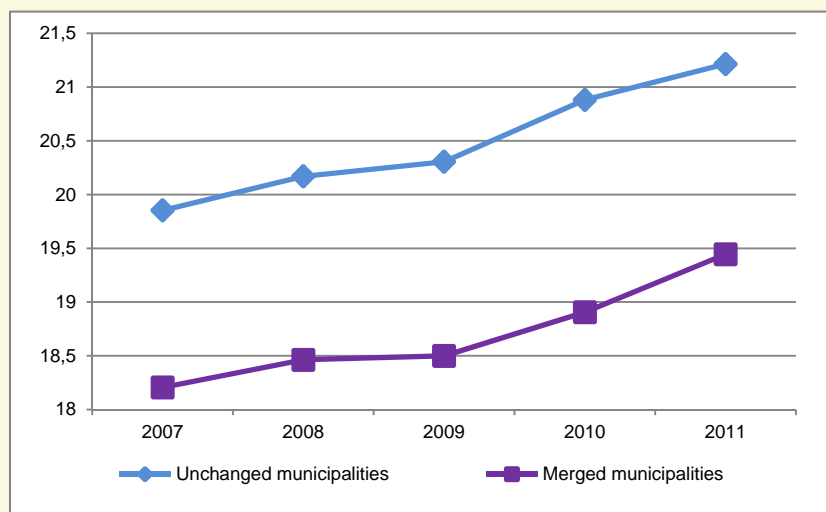


Source.: KORA (2012c).

Figure 4.16 shows that an average level difference applies to merged and unchanged municipalities' administration share, respectively. At the same time, the figure shows that the development from 2007 to 2011 in the administration share for the average unchanged municipality and the average merged municipality is roughly parallel.

**Figure 4.76**

Development in the share of municipal administrative employees (percent) of all employees in the municipalities 2007-2011 – distributed between merged and unchanged municipalities



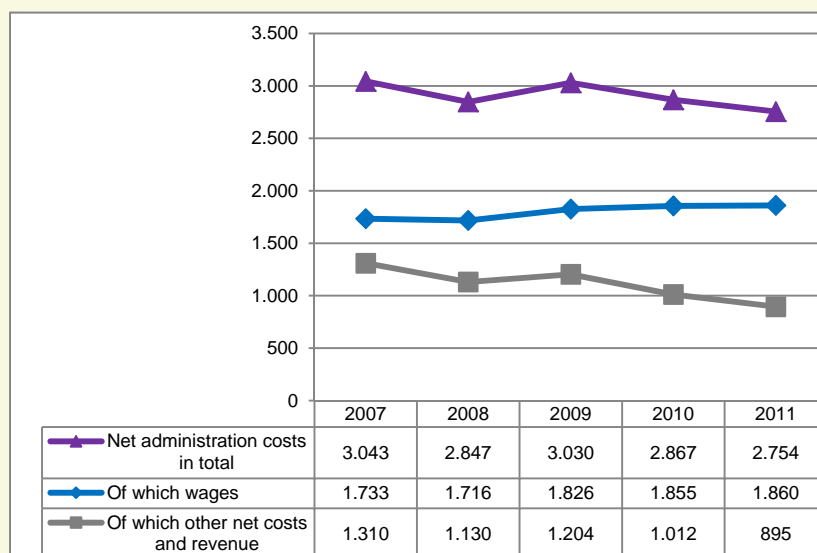
Source.: KORA (2012c).

#### 4.4.2 Development in administrative resource consumption in the regions

The costs for central administration in the regions at national level has dropped by almost 9 percent from DKK 3,043 million to DKK 2,754 million in the period 2007-2011, cf. figure 4.17. Like the municipal expense figure, the cost figures include only a portion of the administration costs, as the de-central administration, which for example, takes place at the hospitals is not included.

Figure 4.87

The regions' costs for the central administration in DKK billion, 2012 price and wage level



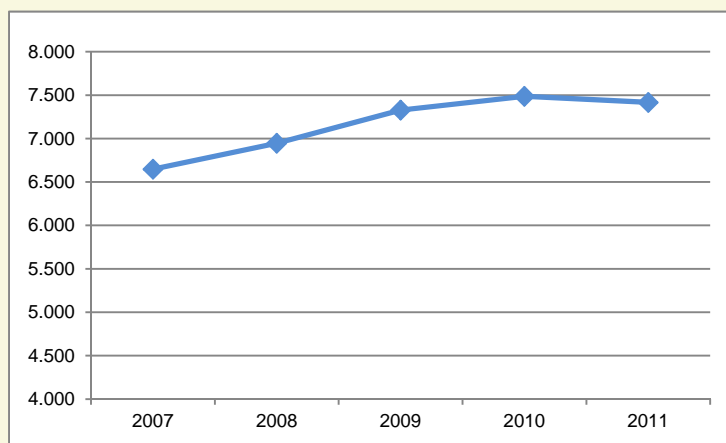
Source.: KORA (2012f).

As can be seen in the figure, the drop is attributed to a decline in the costs other than wages of almost 32 percent. These costs include, among other things, the purchase of external consultants. The costs for wages in the period have increased from DKK 1,733 million in 2007 to DKK 1,860 million in 2011 corresponding to almost 7 percent.

Figure 4.8 also shows that the number of administrative employees both centrally and de-centrally in the regions has increased from 6,647 employees in 2007 to 7,486 employees in 2010. Subsequently, the number from 2010 to 2011 has dropped to 7,416 employees. From 2007 to 2011, the number of administrative employees in the regions has thus, on the whole, increased with 769 employees corresponding to almost 12 percent.

In the light of the quality fund supported hospital constructions, some of the increase in the number of administrative employees can be seen in the building up of new project organisations in association with the actual constructions as well as prioritising of strategic areas such as procurement and logistics, etc. in order to achieve savings on operations, cf. figure 4.10.

**Figure 4.98**  
Development in the number of administrative employees (both central and de-central) in the regions 2007-2011

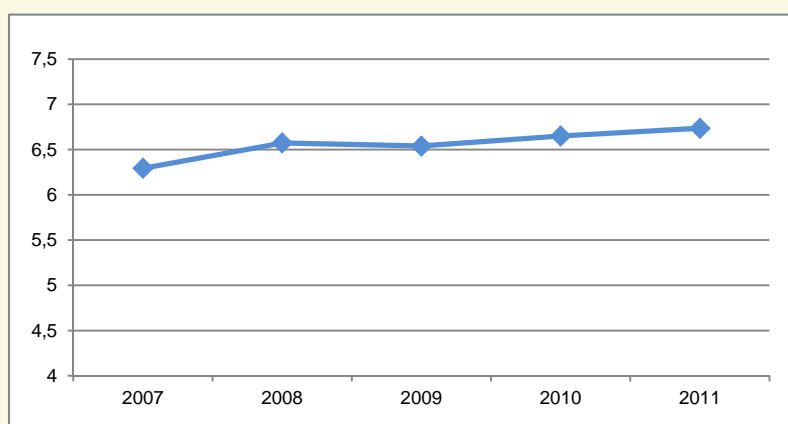


Source.: KORA (2012f).

In the regions, the administrative employees' share of the total number of regionally employed comprised approx. 6.7 percent in 2011, which is basically at the level of the previous year, cf. figure 4.19. The reduction in the number of administrative employees from 2010 to 2011 that is apparent in figure 4.18 is thus followed by a proportionately larger drop in the number of non-administrative employees.

**Figure 4.19**

Development in the administrative employees' share of all employees in the regions (in percent) in the period 2007-2011



Source: KORA (2012f).

#### 4.4.3 Assessment

Great potential for economies of scale was generally created with the Local Government Reform, including a more effective administration in municipalities and regions. The committee's assessment is that this potential has not been fully utilised yet.

With the finance agreements for 2012, municipalities and regions have committed themselves to reducing the administrative costs up to 2013.

With the agreement on the municipalities' finances for 2012, it has thus been agreed that the municipal administration must be reduced by 5 percent in 2013, corresponding to almost DKK 1.5 billion in relation to the 2010 level.

Likewise, the agreement on the regions' finances for 2012 stated that the regional administration must be reduced by 2½ percent in 2012 and 5 percent in 2013, corresponding to almost DKK 160 million (2011 price and wage level) in relation to the 2010 level, however, with respect for administration in regard to the quality fund supported hospital constructions.

The committee's assessment is that in the coming years as well there will be potential for further administrative streamlining starting in the larger units the Local Government Reform brought about and as a result of the technological and, not least, IT development.

### 4.5 Development of administration buildings

The mergers of the municipalities and discontinuation of the counties has created potential for acquiring economies of scale through joint localisation of administration. For the commit-

tee's assessment, KORA has prepared an analysis of the development in the administration buildings as well as an overview of the current utilisation of the former counties' administration buildings.<sup>7</sup>

#### 4.5.1 The municipalities' administration buildings

The Local Government Reform resulted in the formation of 98 municipalities which replaced the former 271, of which 65 are merged municipalities. For the merged municipalities in particular, potential emerged to streamline the building administration by, for example, closing down several small city halls and gathering the administration into one location.

By reducing the number of administrative locations, the municipalities can reduce the time municipal employees spend on transport between the locations, the so-called road time. Besides reducing the number of administrative locations, the municipalities have also possibilities to streamline the building stock through, e.g. energy improvements and general optimisation of utilisation of space.

Figure 4.20 shows that in the period 2007 to mid-2012, 72 percent of the municipalities have generally implemented streamlining of the utilisation of administrative buildings. 76 percent of the merged municipalities have implemented streamlining, while 62 percent of the unchanged municipalities have done the same.

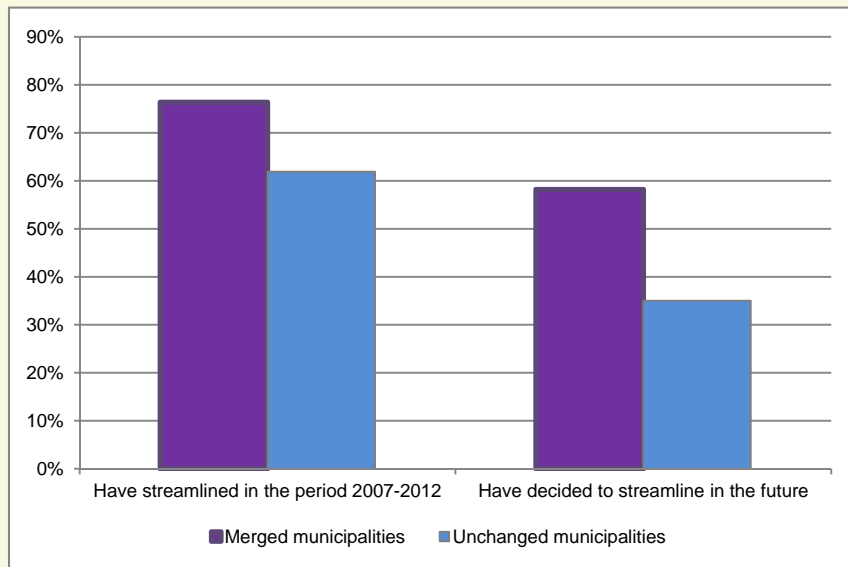
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<sup>7</sup> KORA (2012b): The municipalities' administration buildings and KORA (2012a): The former counties' administration buildings

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**Figure 4.20**

Percentage of municipalities that have implemented streamlining and percentage of municipalities that have decided to implement streamlining of the utilisation of administrative buildings

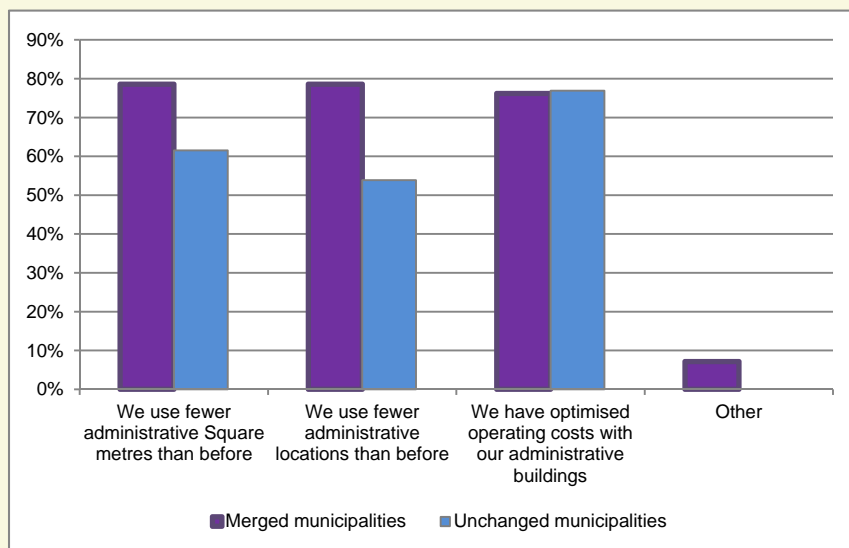


Source.: KORA (2012b).

Figure 4.21 furthermore shows that a larger part of the merged municipalities in the study have achieved using fewer administrative square metres and fewer administrative locations than is the case among the unchanged municipalities.

The merged municipalities in particular assess that a reduction of road time has occurred as well.

**Figure 4.21**  
Results of the municipalities' implemented streamlining



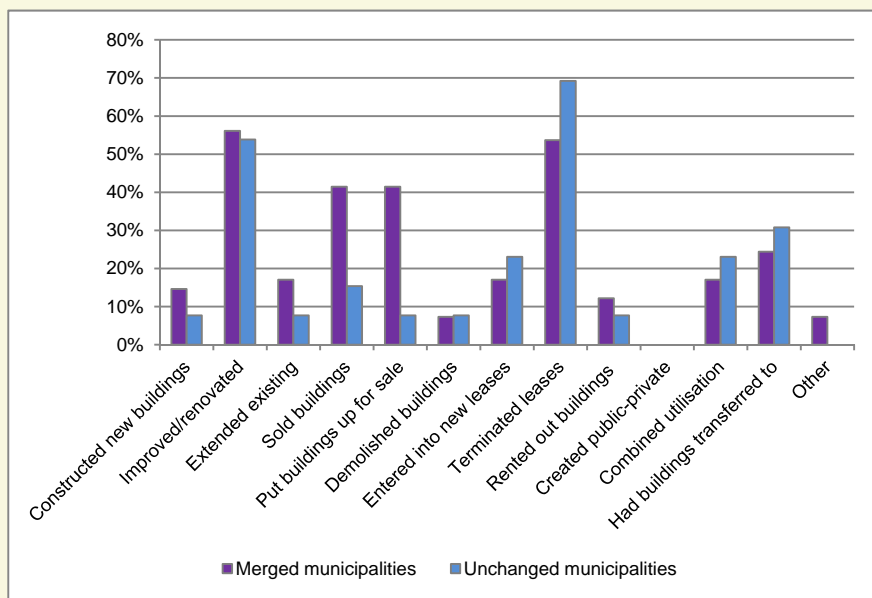
Source: KORA (2012b).

On the other hand, the merged municipalities and unchanged municipalities have, to an equal extent, implemented streamlining which entails optimisation of the operating costs connected to the administrative buildings.

The results of the municipalities' streamlining must be seen in the light of the concrete initiatives to achieve streamlining, cf. figure 4.22. The merged municipalities have, to a higher degree than the unchanged municipalities, sold buildings while almost half of both the merged municipalities and unchanged municipalities have renovated buildings.



**Figure 4.22**  
Municipalities' specific initiatives with implemented streamlining



Source.: KORA (2012b).

Finally, the scope of planned, future efficiency improvements has been studied. Almost half of the municipalities in the study have made decisions on streamlining the use of the administrative buildings in the future. Here, the merged municipalities make up for a slightly larger part than the unchanged municipalities.

#### 4.5.2 The former counties' administration buildings

With the Local Government Reform, 14 counties were discontinued. The 14 county council offices have subsequently been transferred to the five regions, municipalities, the state as well as to one private company, respectively, cf. table 4.7.

**Table 4.7**  
**Current ownership of the 14 county council offices**

Current ownership	Number of former county council offices
Regions	5
Municipalities	5
State	3
Public Limited Company	1

Source: KORA (2012a).

## 4.6 Development in the structure regarding day-care facilities, municipal primary and lower secondary schools and hospitals

The Local Government Reform resulted in the merged municipalities getting more day-care facilities and schools and a larger platform of children. Therefore, the mergers have given rise to consider changes to the structure of the day-care and primary and lower secondary school area, including the merger of units and changes to the size of the units.

For the committee's assessment, KORA has prepared analyses of the development in merged municipalities as well as unchanged municipalities in the period from 2004 to 2011.<sup>8</sup>

The Local Government Reform also meant that in relation to the counties, the regions gained a larger catchment population, which has given rise to a reform of the hospital and specialist structure as described in section 4.6.3.

### 4.6.1 Development of the day-care structure

The overall general development in the average municipality from 2004 to 2011 can be summarised as a movement from more and smaller day-care facilities (day-care in private homes, nurseries and kindergartens) towards fewer and larger day-care facilities (age-integrated institutions). The total number of institutions has declined by 6 percent in the period, corresponding to a drop of 304 institutions. Distributed between types of facility, the figure covers partly a drop in the number of nurseries (-42 percent) and kindergartens (-33 percent) as well as an increase in age-integrated institutions (38 percent).

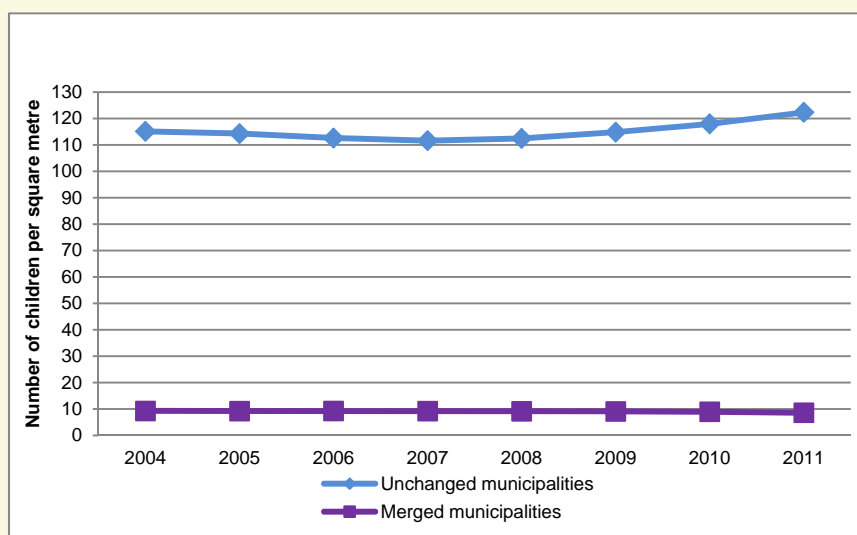
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<sup>8</sup> KORA (2012h): Development in the structure of the day-care facilities area 2004-2011 and KORA (2012d): The municipalities' school structure 2004-2011.

It must be noted, however, that the calculation does not map out how much the reduction in the number of institutions is due to changes in the number of physical units and how much is solely due to changes in the management structure.

KORAs study shows that there is a large difference between the density of children and the development in merged municipalities and unchanged municipalities, respectively. As is apparent in figure 4.23, the unchanged municipalities have a far higher density of children than merged municipalities, an average of 115 compared to 9 children per sq.m. in the period 2004 to 2011.

**Figure 4.23**  
Development in the average density of children in merged and unchanged municipalities 2004-2011



Source.: KORA (2012h).

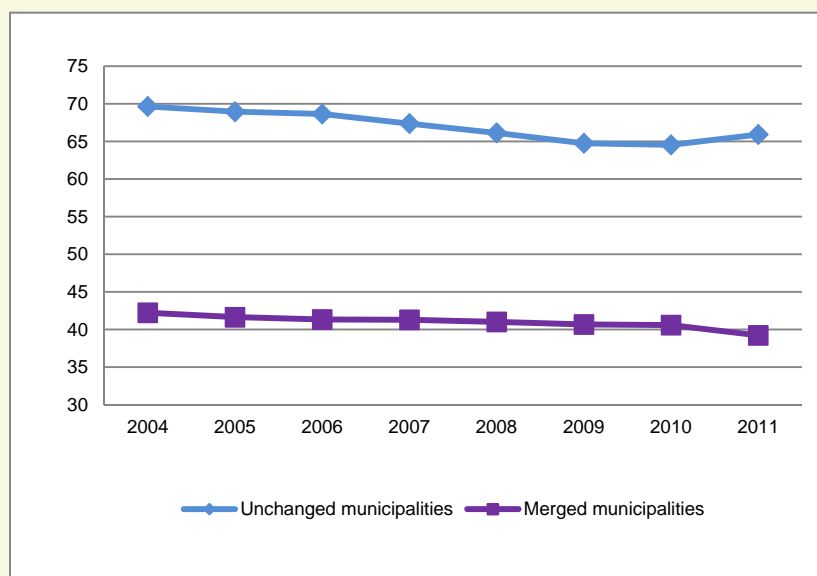
After the Local Government Reform, the unchanged municipalities have had an average increase in the number of children of almost 10 percent, while the number of children in merged municipalities has dropped by almost 8 percent. The changes to the day-care structure in merged and unchanged municipalities must therefore also be assessed in the light of these conditions.

Figure 4.24 shows the development in the number of institutions distributed between merged municipalities and unchanged municipalities in the period from 2004 to 2011. It can be seen that the unchanged municipalities have had a greater decline (-13.5 percent) in the total number of institutions than the merged municipalities (-7.5 percent), which does not harmo-

nise with the assumption that merged municipalities have had, as a basis, a larger incentive to merge institutions.

**Figure 4.24**

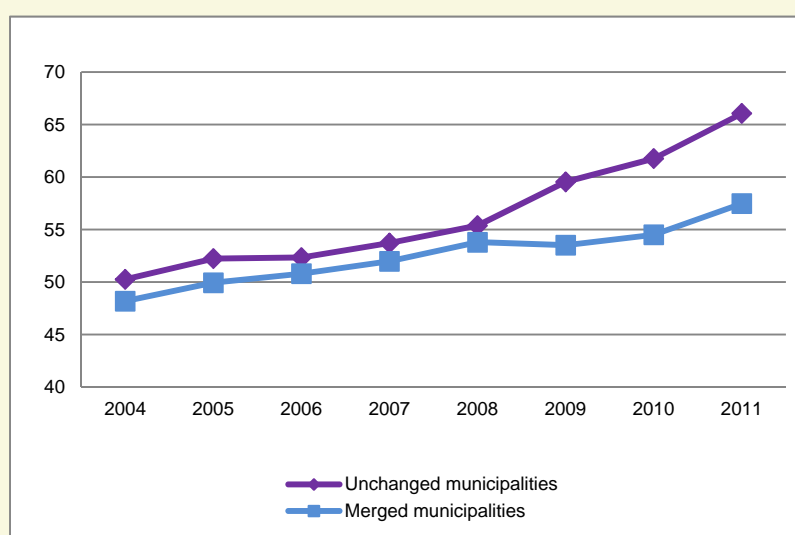
**Development in the average number of institutions in merged and unchanged municipalities 2004-2011**



Source.: KORA (2012h).

Figure 4.25 shows the development in the average facility size overall for all types of institution from 2004 to 2011. It is evident that the unchanged municipalities' units in 2004 were slightly larger (approx. 50 children) than the merged municipalities' units (approx. 48 children) and that the development up to 2008 is parallel with each other in the two types of municipality. From 2009 onwards, the unchanged municipalities have a steeper increase in the facility size than the merged municipalities. In 2011, the average facility size in unchanged municipalities was approx. 65 children, while the average facility size in merged municipalities was approx. 57 children per facility.

**Figure 4.25**  
Development in the average facility size (average number of children per institution) in merged and unchanged municipalities, respectively



Source.: KORA (2012h).

KORA has analysed whether there is a difference as to how the day-care structure has developed in merged municipalities and unchanged municipalities, respectively, since the Local Government Reform, cf. the assumption that in the merged municipalities there has been greater cause to consider structure changes, including for example, merging of units and changes to the size of the units.

The study shows that since the Local Government Reform, there have not been isolated differences between the development in the municipalities that have been merged and the development in the ones that continued unchanged. The municipalities' merged status correlates strongly, however, with the differences in density of children, cf. figure 4.23. The study also shows that municipalities with a high density of children have merged units and increased the size of the units to a larger extent than municipalities with a low density of children.

#### 4.6.2 Development of the primary and lower secondary school structure

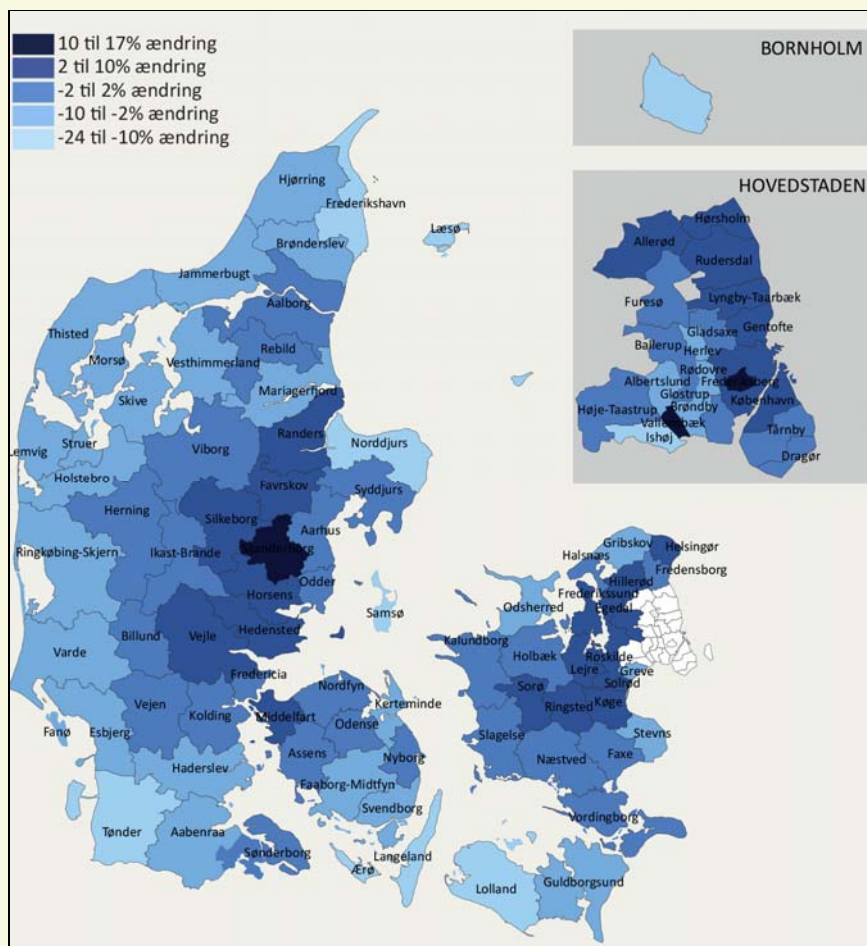
The general development in the municipal school structure from 2004 to 2011 is that there will be fewer and larger schools. Since 2004, a total of 364 of the country's schools – corresponding to approx. 20 percent – have been closed or merged. The average school size has increased from 332 pupils in 2004 to 374 pupils per school in 2011. Development of the latter, in particular, has gathered speed. During the period 2004-2010 an average of 40 schools

per year have been closed and merged, while in 2011 and 2012, 158 and 126 schools, respectively, have been closed and merged.

However, it must be noted that the calculation does not take into consideration whether a school is only merged in terms of management – but with the same number of grounds – or whether the merger also means the closure of grounds.

Similar to KORA's study of the day-care structure, this study shows that there is a certain correlation between the municipalities' merger status and differences between density of pupils and the development during this period. As can be seen by the map of Denmark in figure 4.26, typically municipalities (in north and west Jutland as well as south Funen and Lolland-Falster) that already have a low density of pupils have had the largest drop in the number of pupils. These municipalities are also usually merged municipalities. On the other hand, there is positive development in the number of pupils in those areas where there is already a higher density of pupils (Greater Copenhagen, around the large provincial towns and the east Jutland area). These municipalities are also usually unchanged municipalities.

**Figure 4.26**  
Changes in the number of pupils from 2004 to 2011 distributed between municipalities



Information about the coloring (from dark blue till light blue):

- 10 to 17% change
- 2 to 10% change
- 2 to 2% change
- 10 to -2% change
- 24 to -10% change

Note: The number of pupils is calculated as the number of children between 6 and 16-years of age.

Source: KORA (2012d).

The study shows (not illustrated) that the majority of municipalities have chosen to increase the size of their schools in the period from 2004 to 2011, but there is a great difference between the extents to which the various municipalities have done so. Typically municipalities

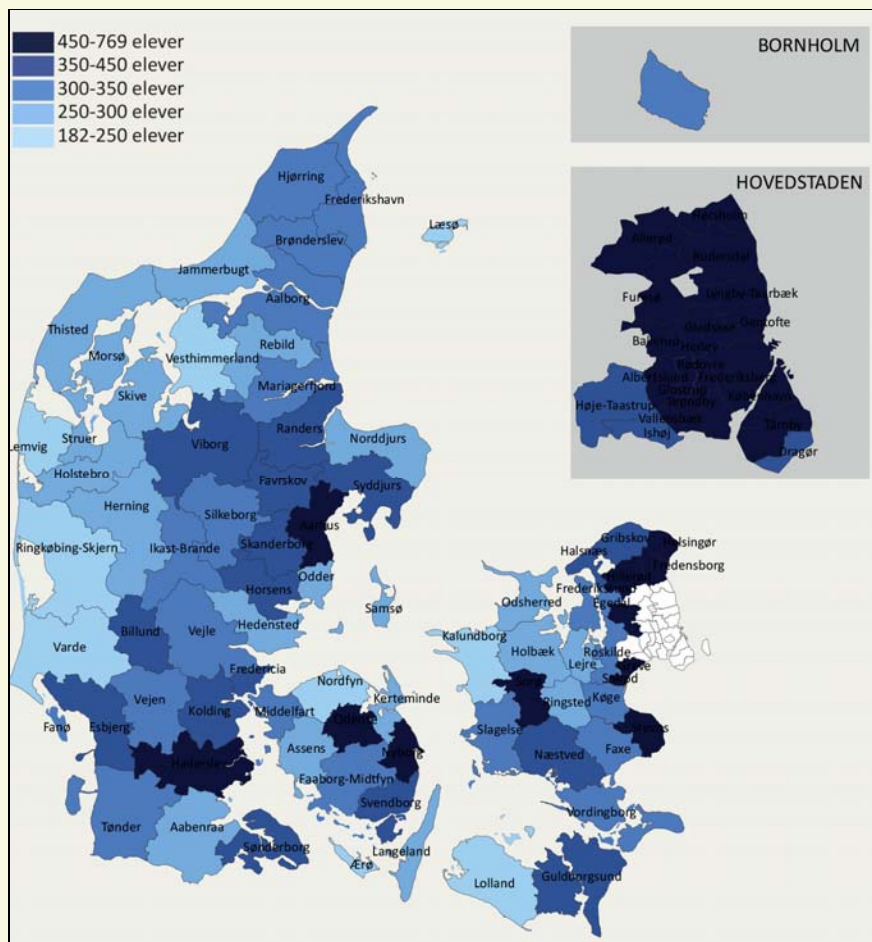
with small school sizes and declining density of pupils have increased their school sizes most.

All in all, the average school size increased from 332 pupils in 2004 to 346 pupils in 2010, i.e. a total of 14 pupils. From 2010 to 2011, the school size increases significantly by 28 pupils to 374 pupils. The increase from 2010 to 2011 thus transcends the increase for the entire period of 2004-2010.

The map of Denmark in figure 4.27 shows the average primary and lower secondary school size distributed between the individual municipalities in 2011.



**Figure 4.27**  
The average primary and lower secondary school size in 2011



Information about the coloring (from dark blue till light blue):

- 450-769 pupils
- 350-450 pupils
- 300-350 pupils
- 250-300 pupils
- 182-250 pupils

Note: Average school size is calculated as the total number of school pupils divided by the number of schools (Grade 0 excluded).

Source: KORA (2012d).

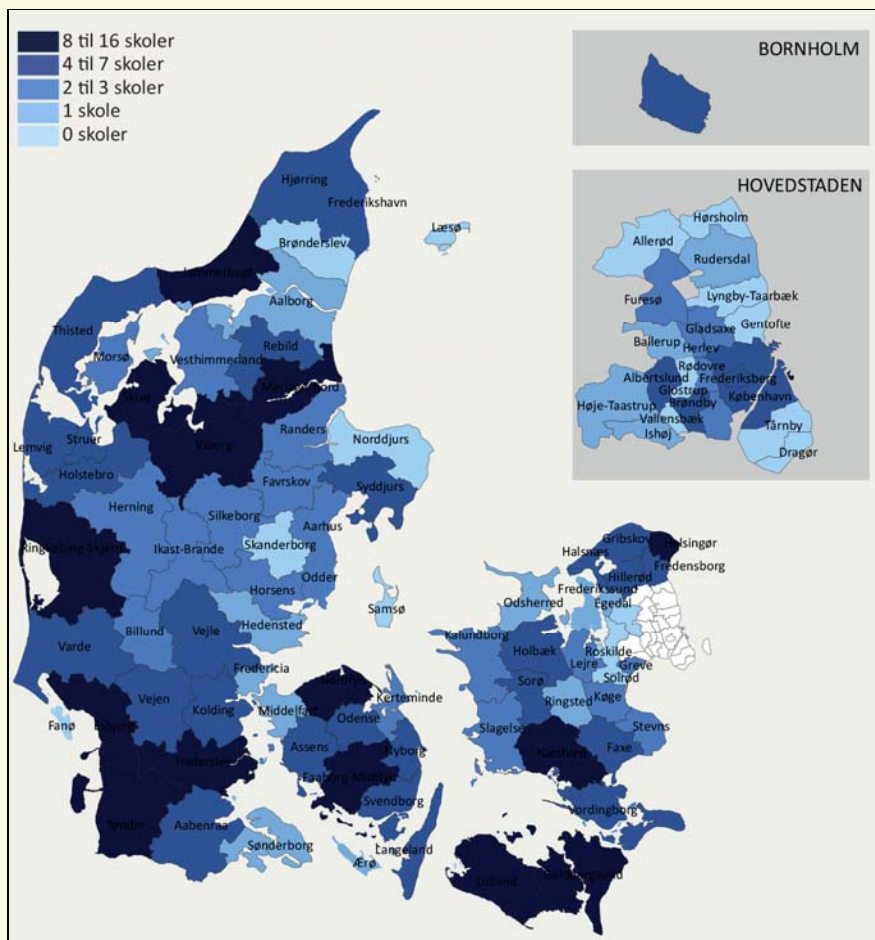
The fact that the average school size has increased, reflects that schools have been closed and merged in the period. As mentioned, the calculation does not give the possibility to clarify

to which extent there has been managerial merging or if a reduction of grounds has also taken place. At the same time, new schools have been established.

Figure 4.28 shows the number of closed schools from 2004 to 2011 deducted by the number of newly established schools distributed between the municipalities (net closed schools). A net total of 364 schools have been closed in the period 2004-2011 and as can be seen in the figure, the school closures are distributed unevenly across the country.

Figure 4.28

Net number of closed schools 2004-2012 distributed between municipalities



Information about the coloring (from dark blue till light blue):

8 to 16 schools

4 to 7 schools

2 to 3 schools

1 school

0 schools

Note: The net closures are calculated year by year by deducting the number of established schools from the number of closed schools. Both closed and merged schools are included.

Source: KORA (2012d).

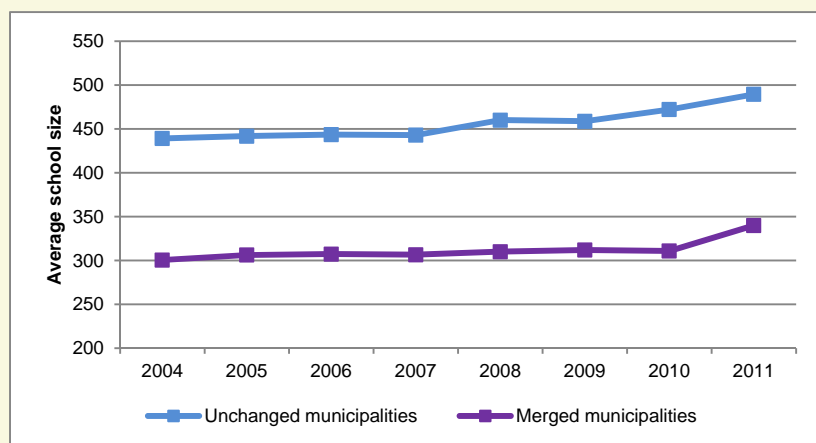
KORA has analysed whether there is a difference as to how the school structure has developed in merged municipalities and unchanged municipalities, respectively, since the Local Government Reform, cf. the assumption that in the merged municipalities there has been

greater cause to consider structure changes, including for example, in the form of school closures, mergers and changes to the size of the schools.

The study shows that both merged and unchanged municipalities have increased their school size during 2010-2011 in particular, cf. figure 4.29.

The unchanged municipalities commenced early than the merged municipalities, but when seen over the entire period after the Local Government Reform, there is no difference between the two types of municipality. Consequently, both types have increased their average school size by approx. 50 pupils.

**Figure 4.29**  
Average school size for merged and unchanged municipalities

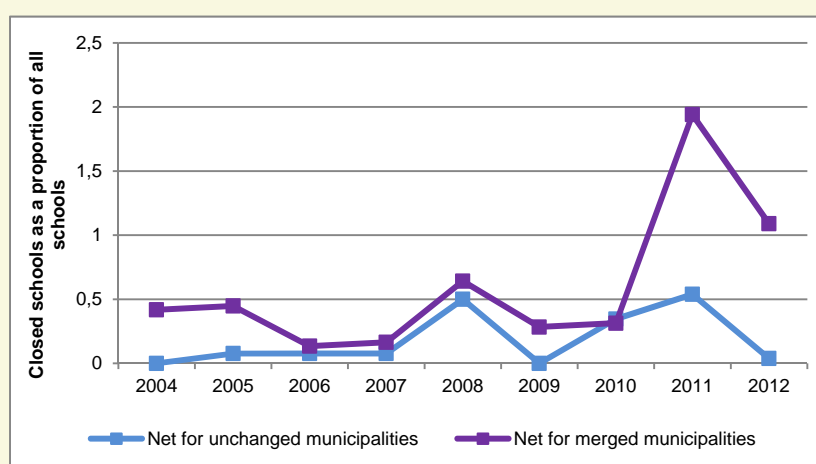


Source: KORA (2012d).

Figure 4.30 illustrates the number of net school closures distributed between merged and unchanged municipalities. Here, the number of school closures is set in relation to the total stock of schools. The figure shows a relatively identical development in the number of school closures up to 2010. In 2011 and 2012 there is a significant difference between merged municipalities and unchanged municipalities as the merged municipalities close notably more schools than unchanged municipalities.

**Figure 4.10**

Development in the number of closures between merged and unchanged municipalities in percent in relation to the total number of schools



Source: KORA (2012d).

However, KORA's study shows that on the whole, since the Local Government Reform, there have been no isolated differences between the development in merged municipalities and unchanged ones. The density of pupils and the development of this can be identified as decisive for changes in the school structure, which is in line with the study of the day-care facility structure.

#### 4.6.3 Development of the hospital structure

The regions have between approx. 0.6 million and 1.6 million inhabitants, while the counties had between approx. 0.2 million and 0.7 million inhabitants. Consequently, with the Local Government Reform, the regions were given a catchment population that created the possibility to improve both the professional and financial sustainability and thus laid the foundation for a comprehensive reform of the hospital and specialisation structure.

The regional councils in all five regions have adopted hospital plans which gather the hospitals' specialists and functions into fewer units and with a larger patient base for the various functions. It is mainly the specialised and the emergency treatments which, according to the hospital plans, will be performed in fewer locations in the country in future.

At the same time with the new Danish Health Act from 2006, the Health Service was given new authority in relation to a number of tasks within the specialisation planning. From 2007 to 2010 the Health Service has worked on a specialisation plan that places the specialised treatment, which comprises about 10 percent of all hospital treatments. The placements of the specialised functions in the regions' hospitals must be approved by the Health Service as part of the specialisation planning.

The hospital plans entail that the number of hospital sites will be considerably reduced in the period 2007 to 2020. The number of emergency hospitals will be reduced from approx. 35 to 21 (by 40 percent). A significant reduction of the overall number of sites with hospital functions is simultaneously assumed. Solely as a consequence of the already existing hospital plans, the number of sites in the somatic hospital service will be reduced from 80 to 52 (by almost 30 percent). And the number of sites in the psychiatric hospital service will be reduced from 52 to 32 (a reduction of 25 percent).<sup>9</sup>

As is apparent in section 4.3.2 about the development in the regions' administration structures, the merging of hospital functions and introduction of new forms of organisation at the hospitals is reflected in, among other things, a reduction in the number of de-central managers at the hospitals.

Parallel with the changes in the hospital structure, the regions have implemented an expansion of the pre-hospital effort so patients with emergency needs can be quickly transported to diagnosing and treatment at the emergency hospitals. For example, the regions have carried out an expansion of the service with ambulances and paramedic ambulances, etc. and from 2014 a scheme with emergency paramedic helicopters will be established.

At the same time, the regions are working on developing treatment programmes close to the citizens. The regions' plans include, for example, the establishment of health centres where the treatment of patients with minor injuries can be provided or other patients who do not need to go to the hospital and therefore can be treated close to their own homes.

#### 4.6.4 Assessment

KORA's studies show that since the Local Government Reform, there have not been isolated differences between the development in the municipalities that have been merged and the development in the ones that continued unchanged. The municipalities with high density of children and pupils have merged units to a higher degree and have increased the size of the units as far as day-care facilities are concerned.

However, it cannot be excluded that the Local Government Reform has also made development towards fewer and larger institutions and schools in the merged municipalities possible, even though in these municipalities there are greater consequences in relation to increasing the distance between the institution programmes, just as these municipalities have greater challenges with fewer pupils and lower density of pupils. Consequently, it cannot be known if this development towards fewer and larger institutions and schools would have occurred if the former smaller municipalities still existed.

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<sup>9</sup> The government's expert panel (2008, 2010): The regions' investment and hospital plans – screening and evaluation.

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## 4.7 Development in the public-private cooperation

In connection with the Local Government Reform, there was an expectation that the reform would strengthen the prerequisites of public authorities to be subject to competition. The administratively more sustainable municipalities and regions were expected to professionalise procurement and supply and thus support a development towards more competitive and more effective procurement.

For the committee's assessment, KORA has prepared analyses of the development in the municipalities and regions' exposure to competition after the Local Government Reform as well as an overview of research and analyses in relation to exposure to competition after the Local Government Reform.

Furthermore, the Agency for the Modernisation of Public Administration and Danish Regions have prepared material on the development in municipal and regional procurement.

### 4.7.1 Development in exposure to competition in municipalities

The analysis of the development in exposure to competition in the municipalities is based on a number of national indicators that are calculated on the basis of data from the municipalities' accounts.

The municipalities' exposure to competition is measured by two indicators<sup>10</sup>:

- Private Vendor Indicator (PVI)
- Competition Exposure Indicator (CEI)

PVI shows the municipalities' purchase of services from private vendors in relation to the total municipal gross budget costs for tasks that must be performed by private vendors. CEI also contains the value of own won tenders. Product purchases are not included in the counter for the two indicators.

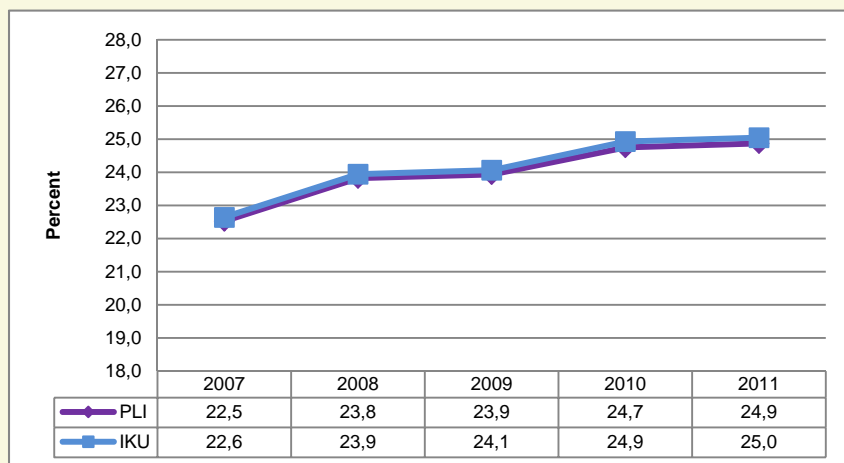
The analysis shows that the municipalities' use of private vendors has been on the increase after the Local Government Reform, cf. figure 4.31 below:

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<sup>10</sup>Definition of the municipal PVI and CEI has changed from and including 2012. In relation to the earlier definition, main account 1 has been excluded from the calculations as a result of increased privatisation on the utility area, transport of pupils has been added to main account 3 and the incorporation of municipal transport subsidy to regional transport companies has been adjusted (Ministry of Economic Affairs and the Interior 2012a and 2012b). The analyses of PVI and CEI have been based on the 2012 definition for all years.

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**Figure 4.11**  
PVI and CEI for municipalities 2007-2011. Weighted average



N= 98 (incl. Copenhagen, Frederiksberg and Bornholm)

Note: PLI = PVI, IKU = CEI

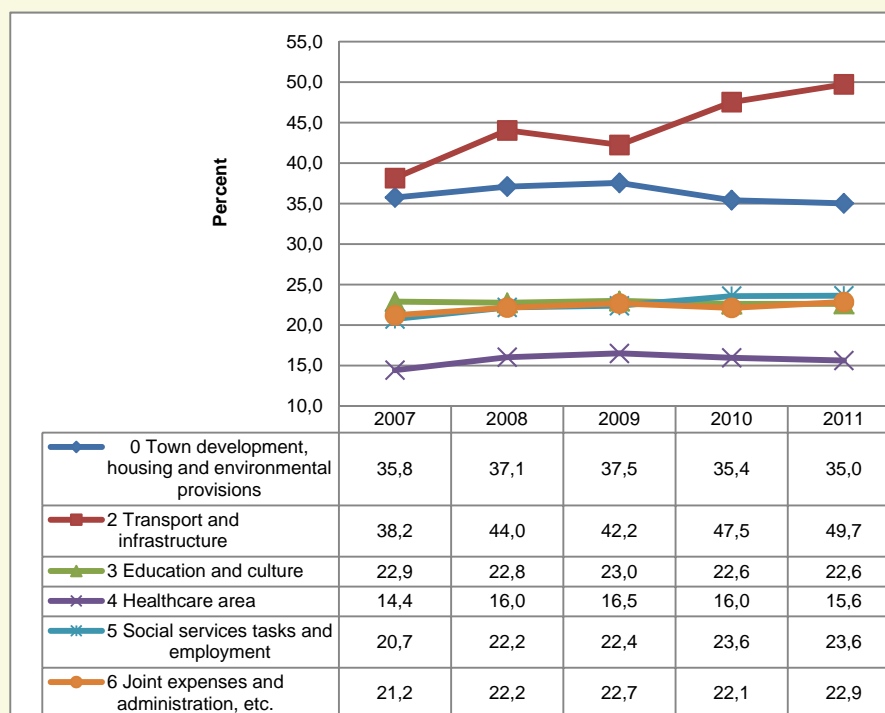
Source: KORA (2012g).

As can be seen in the figure, the municipalities' exposure to competition has grown from 22.6 percent of the municipalities' gross operating costs in 2007 to 25.0 percent in 2011. This is basically insignificant whether the municipalities' own won tenders are included in the assessment as there is only 0.1 difference between PVI and CEI in 2011.

Figure 4.32 shows that it is especially within the technical areas that private vendors are involved in the municipal task performance, in particular in the transport and infrastructure area. Conversely, in relation to urban development, housing and environmental measures, a slight drop in PVI in 2010 and 2011 can be established. The figure also indicates that the municipalities' PVI is lowest on the healthcare area where the use of private vendors from 2008 – 2011 has been stable at around 16 percent.



**Figure 4.12**  
PVI on main accounts for municipalities 2007-2011. Weighted average



N= 98 (incl. Copenhagen, Frederiksberg and Bornholm)

Source: KORA (2012g).

Similarly, the level of both the education/culture area and the administration area has been at a stable level of 22.5-23.0 percent in the period, while on the social services and employment area, there has been a slightly increasing tendency to involve private vendors in task performance in the past years.

#### 4.7.2 Development in exposure to competition in regions

Similar to the analysis of the municipalities' exposure to competition, this analysis is based on a number of national indicators which are calculated on the basis of accounting data.

The regions' exposure to competition is measured by the following three indicators:

- Private Vendor Indicator (PVI)
- Competition Exposure Indicator (CEI)
- Private Services Indicator (PSI)

Regional PVI shows the regions' purchase of services from private vendors in relation to the total regional gross operating costs for tasks that must be performed by private vendors. In

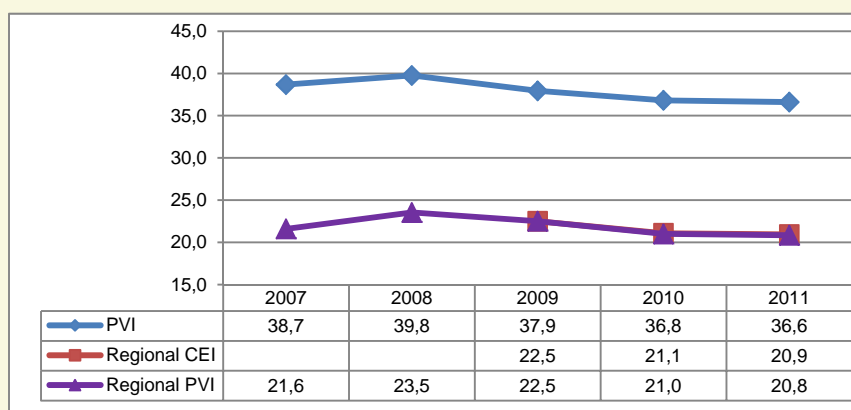
addition, the value of own won tenders from 2009 is included in the regional CEI where the reporting of these figures to the Ministry of Economic Affairs and the Interior began.

Costs for private hospitals are included in the calculation, which apply to both PVI and CEI, while the costs for the regions' payments to private practitioners, etc. are not included. Unlike regional PVI, PSI does not include the health insurance area<sup>11</sup>.

Not including product purchases in the counter applies to all three indicators.

The development in the regions' exposure to competition shows a tendency towards a declining involvement of private vendors after the Local Government Reform, cf. figure 4.33 below:

**Figure 4.13**  
Total PSI, CEI and PVI for regions 2007-2011. Weighted average



Source: KORA (2012g).

As the figure illustrates, PVI and CEI are basically coinciding as the value of the regions' own won tenders are very limited.

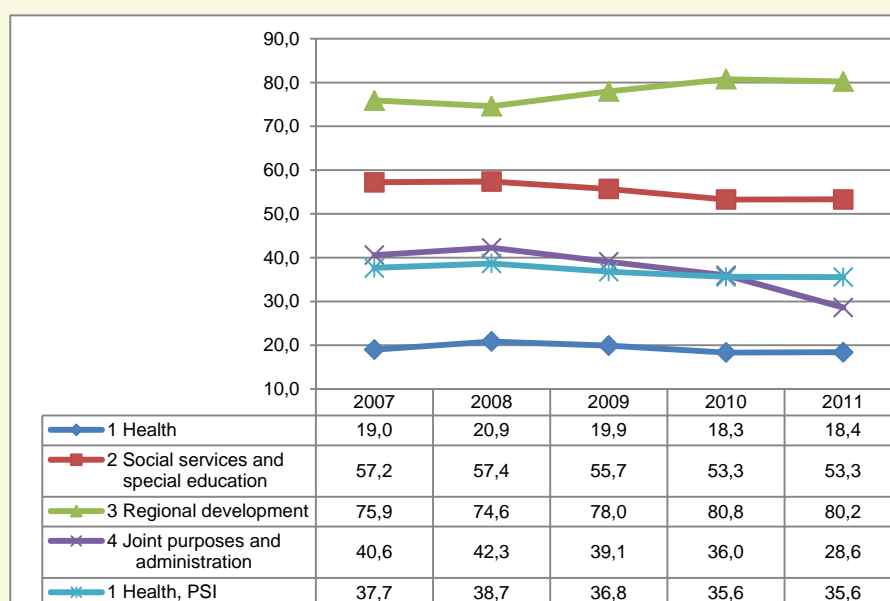
The regions' purchase from private vendors is dropping from 21.6 percent of the gross operating costs in 2007 to 20.9 percent in 2011. If the health insurance area is incorporated, the regions' purchases from private vendors in 2007 amounted to 38.7 percent of the regions' costs, but drop by two percentage points to an overall level of 36.6 percent in 2011.

<sup>11</sup> It is noted that the healthcare services within the health insurance area are not exposed to competition.

Figure 4.34 illustrates that the regions' costs for joint purposes and administration, in particular, display a drop in the involvement of private vendors. Where the purchase from private vendors in 2007 made up for 40.6 percent of the total costs for joint purposes and administration, the corresponding figure in 2011 was 28.6 percent.

At the same time, there has been a tendency towards a drop in the involvement of private vendors on the social services/special education area as well and on the healthcare area. Conversely, there is an increasing involvement of private vendors in the regions' performance of tasks associated to regional development.

**Figure 4.14**  
PVI on main accounts for regions 2007-2011. Weighted average



Source: KORA (2012g).

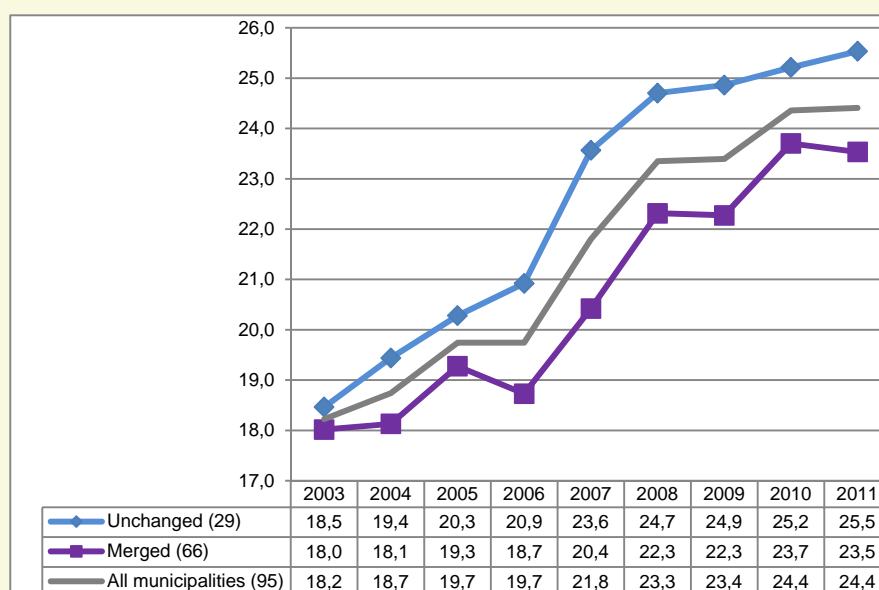
Reservation is made in the analysis for a situation, in which larger tenders of operation services have been conducted with savings as a result, or the rates for treatment at private hospitals under the optional hospital choice have reduced, the declining PVI and PSI do not necessarily express a decline in the use of private vendors in the regions.

#### 4.7.2 Exposure to competition in merged and unchanged municipalities up to and after the Local Government Reform

KORA has conducted statistical analyses of whether a local government effect can be identified in the period 2003-2011 in those municipalities that were merged.

However, dividing the municipalities into unchanged municipalities and merged municipalities indicates that the development in PVI basically follows a consistent pattern after the Local Government Reform, cf. figure 4.35.<sup>12</sup>

**Figure 4.15**  
PVI for merged and unchanged municipalities 2003-2011. Weighted average



N= 95 (exclusive Copenhagen, Frederiksberg and Bornholm). The break in data in connection with the Local Government Reform has been partially adjusted with the addition of a calculated local government reform effect of 0.7 percentage points to the PVI for all municipalities in 2003-2006. The correction ensures full comparability between 2006 and 2007.

Source: KORA (2012g).

The overall conclusion on the basis of the statistical analyses is that there has not been a Local Government Reform effect on exposure to competition in the merged municipalities when consideration is taken of a number of other factors that can be of importance to exposure to competition, including financial pressure, spread settlement, political composition of the local council, regional variations, etc. Merged municipalities have followed the general trend towards increased exposure to competition and thus, on the basis of the conducted statistical

<sup>12</sup> It must be emphasised that the Local Government Reform involves a break in data from 2006 to 2007 as a result of the changes to the municipal tasks and the municipal classification of accounts. In the analysis, the break in data is reduced through a computational correction for the year 2003, but not removed.

analyses, it cannot be established that the Local Government Reform ought to have resulted in a significant difference in the development of the level of exposure to competition in unchanged and merged municipalities, respectively, when the above mentioned factors are checked.

#### 4.7.3 Analyses in relation to exposure to competition in municipalities and regions after the Local Government Reform

The following reviews the main features from a number of analyses on municipalities' and regions' work with exposure to competition after the Local Government Reform with focus on the organisation of the procurement area, supply as well as development trends on the private vendor market, etc.

##### **The municipalities' procurement**

The organising of the municipalities' procurement after the Local Government Reform is characterised by basically all municipalities being members of a procurement community for product purchases.

The municipalities' procurement organisation is generally thought to be strengthened after the Local Government Reform. Since 2007, almost all municipalities have built up central procurement offices that have transverse responsibility for the municipality's purchases.

By gathering the procurement into joint agreements, the municipalities want to achieve better prices and minimise transaction costs in the individual municipality.

In recent years, product purchase has, to an increasing degree, been performed in the form of procurement communities in the municipalities. There is no documentation on a similar tendency in regard to the procurement of services.

The recent development in the municipal procurement is that on a number of standardised product areas, the municipalities have begun to make joint, binding procurement agreements where the majority of the municipalities are included in the same agreement.

With the finance agreement between Local Government Denmark and the government for 2012, it was agreed that up towards 2015 SKI must establish at least 15-20 coordinated and binding agreements for the municipalities to which the majority of the municipalities will join.

The gains of streamlining the municipal procurement have been steadily increasing year by year. From 2007 to 2009, the total annual gains increased from approx. DKK 100 million to slightly over DKK 200 million. In 2011 and 2012 there have been increases in the municipalities' expectations to the procurement area. Those municipalities that budgeted with streamlining in 2012 expect all in all streamlining gains of DKK 390 million and in 2011, this was ap-

prox. DKK 370 million. This corresponds to approx. 10 percent of the overall expected streamlining gains in 2012 coming from more effective procurement<sup>13</sup>.

#### **The regions' procurement**

In 2010, the regions adopted the third joint procurement strategy since establishment in 2007. The joint efforts since 2007 have entailed that it has been possible to achieve significant savings within the area. For example, Capital Region of Denmark has calculated savings of DKK 948 million in the period 2007-2010.<sup>14</sup>

The strategy from 2005 stretches up to 2015. It sets up eight concrete targets in the areas such as the scope of supply, electronic commerce and logistics. The strategy will simultaneously ensure that the regions will save a further billion Danish Kroner on the area up to 2015. One of the specific targets in the strategy is that minimum 35 percent of the regions' purchase of products in 2015 must take place following joint tender.

At the same time, a strategic procurement function has been established in all five regions, which will optimise the processes and realise the potential of streamlining. In each region, procurement function works according to a politically adopted procurement policy.

The individual region has a purchasing volume which, as a basis, makes it most expedient to conduct the majority of tenders independently. In selected areas, it can however be worth one's while to make joint purchases. The regions constantly conduct analyses with a view to exposing areas that are suitable for joint tender. This applies to, among others, the medicine area where purchases are made through the joint procurement organisation, Amgros. Amgros saved the regions approx. DKK 6 billion from 2007-2011 in relation to the list prices<sup>15</sup>.

#### **Tendencies on the private vendor market and OPP**

The below mentioned main tendencies can be identified on the private vendor market in relation to, e.g. liberty of choice, function requirements and OPP.

In the area of liberty of choice on the welfare area, the private vendors' share of the market has generally increased slightly since 2007. However, this cannot be directly connected to the Local Government Reform but there are studies<sup>16</sup> that indicate that the larger markets in the merged municipalities may have contributed to the development of a private vendor market.

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<sup>13</sup> Local Government Denmark (2010, 2011, 2012): The efficient municipalities.

<sup>14</sup> Source: Danish Regions

<sup>15</sup> Source: Danish Regions

<sup>16</sup> KREVI (2011): "Liberty of choice in elderly care" and the Danish Competition and Consumer Agency "Competition and consumer report 2011".

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In the period from 2007 and onwards, elements of function tenders (function requirements) have been used in municipal tenders to an increasing degree<sup>17</sup>, and this is thought to have contributed to the development of a private vendor market. It was also put forward at the hearings that there was a desire for increased use of new cooperation/organisation models, including for example, innovation partnerships and function tenders that support overall economic considerations.

The growing use of function requirements can, however, not be directly linked to the Local Government Reform.<sup>18</sup> However, on the employment area, there is indication that the restructuring of the area in 2007 may have had an effect on the use of function tenders and the development on the private vendor market, as this was an obvious reason to rethink task performance in the area.

Since 2007, there has been a gradual increase in the use of PPPs (Public Private Partnerships) in Denmark and a total of 13 PPP projects have been implemented<sup>19</sup>. However, the review likewise finds that no research and analyses exist that indicate that development in the use of PPPs can be linked together with the Local Government Reform.

#### 4.7.4 Assessment

The committee has noted that the purely statistical analyses show that it is not possible to conclude a Local Government Reform effect on the exposure to competition in merged municipalities given that a significant difference in the development of the exposure to competition level in unchanged and merged municipalities, respectively, when financial pressure, spread settlement, political composition of the local council, regional variations, etc. are verified.

However, the committee assesses that the Local Government Reform has created larger units with new organisational and volume possibilities to expose services to competition and manage procurement in municipalities and regions.

Therefore, there is basis to assume that with the Local Government Reform, municipalities and regions are generally better equipped to conduct tenders and streamline the procurement area looking forward, than would have been the case if a Local Government Reform had not been implemented.

The statistical development can thus clarify that the establishment of larger municipal units has resolved a potential barrier in the former, smaller municipalities in relation to developing the cooperation with the private sector.

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<sup>17</sup> Udbudsrådet (2010) (Public Procurement Council): Analysis of function tenders.

<sup>18</sup> Udbudsrådet (2010) (Public Procurement Council): Analysis of function tenders.

<sup>19</sup> The Danish Competition and Consumer Agency (2012). Experiences from the Danish PPP projects.

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And, not least, a stronger political administrative capacity has been created to continue to develop the cooperation between the municipal and regional sector and the private sector.

## 4.8 The committee's overall assessments of the development on selected interdisciplinary fields

One of the key interdisciplinary goals of the Local Government Reform was to create municipalities and regions with greater professional and economic sustainability. Moreover, there was an expectation that the Local Government Reform would support a cost-effective task performance with the acquiring of economies of scale, etc. At the same time, it was pointed out by the Structural Commission that full utilisation of the potential of a reform will lead to considerable changes of organisation, management, etc.

On the basis of the conducted interdisciplinary analyses, the committee's overall assessment is that in these years, municipalities and regions are busy realising the expectations from the implementation of the reform. The professional sustainability has been strengthened in general and, in some areas, has contributed to innovative task performance and increased quality. The financial sustainability as well has been strengthened as more financially robust units have been created.

The political governance has changed. Today there is greater focus on general policies and strategies while there is less focus on the processing of individual cases. The administration structures are likewise undergoing change. There is a growing move away from traditional administration models towards executive committee/group models.

The tendency in cost development in municipalities and regions, respectively, is the same. In the period up to and including 2009, there was a significant increase. In 2010, a deceleration occurred followed by a drop in 2011. On the administration area specifically, which can be seen especially has having streamlining potential, the assessment is that there continues to be unused streamlining potential, which is the background for why the municipalities and regions have committed themselves to reducing the administration costs up to 2013 with the finance agreements for 2012.

In relation to the structure regarding day-care, schools and hospitals, the analyses show that a considerable reduction in the number of units has occurred. The committee assesses that this development will hardly have taken place to the same extent without the Local Government Reform. The structure changes are not only an expression of streamlining; the expectation is to also strengthen the quality by creating larger hospitals and schools.

All in all, the committee's assessment is that the Local Government Reform has established units that are more robust than before and thus better equipped for the future where the recent financial challenges have not become less than predicted by the Structural Commission. At the same time, the committee finds it essential that the continued and existing unused potential for both streamlining and raising quality is used in the coming years.



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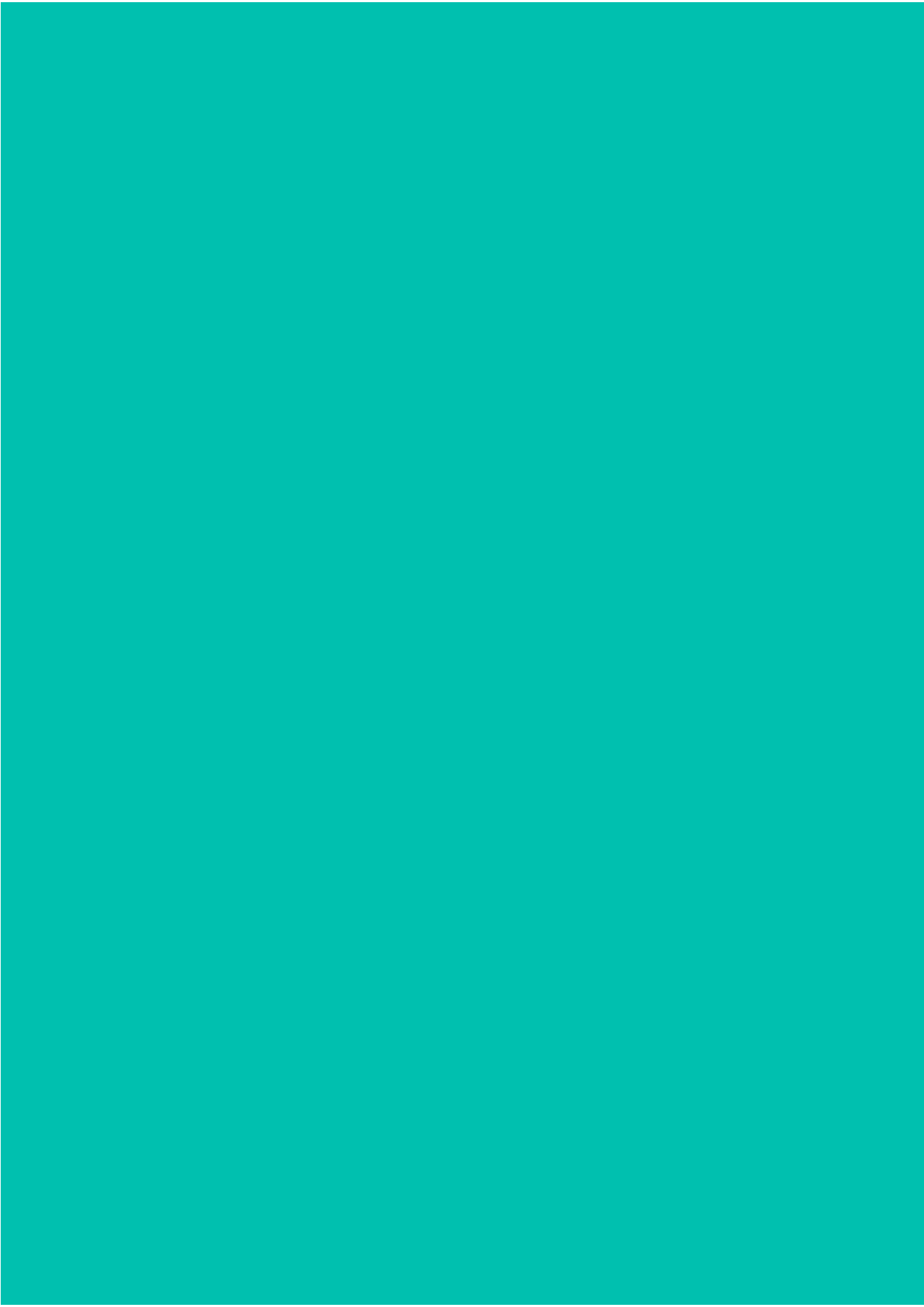
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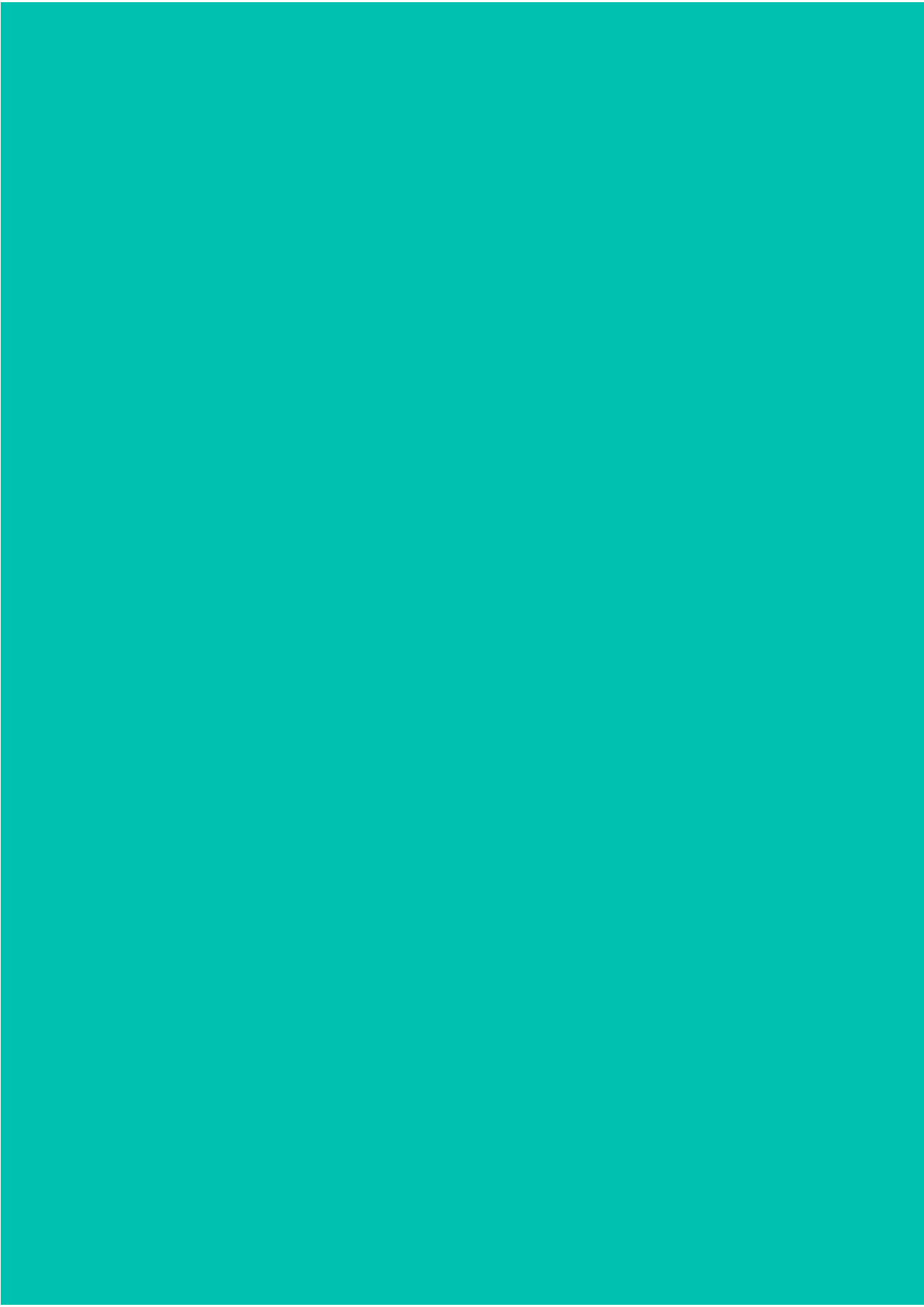
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Better quality and cooperation  
- follow-up on the evaluation of  
the Local Government Reform

The Government 1 June 2013



# 1. Better quality and cooperation

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With the Local Government Reform in 2007, the municipalities became larger and five new regions were established. The Evaluation of the Local Government Reform shows that the now larger municipal and regional units have good professional and financial sustainability.

The government will continue to take the view that the public sector in Denmark is de-centrally organised to an unrivalled degree. The close-to-home public service for citizens and enterprises must, as a basis, be performed by municipalities and regions. The municipalities must continue to be the main entrance to the public service, while the regions have a key role in ensuring a modern hospital service and in relation to regional development.

But the evaluation and the conducted public hearing shows that there are selected areas where the current task performance is not sufficiently cohesive. And, therefore, where there is a need to adjust in relation to what was decided with the implementation of the Local Government Reform.

The government's goal is for citizens and enterprises to meet a flexible and efficient public sector. The public sector must be experienced as cohesive with frictionless transitions when moving between authori-

ties. This requires a close and well-functioning cooperation between municipalities, regions and state.

Therefore, the government is submitting a proposal on the follow-up of the Local Government Reform with the following focus areas:

- Quality and cooperation in the health service
- A qualified effort for groups with special needs
- Professionalism and efficiency on the environment area
- A results-oriented business development effort
- More freedom in the regions' governance

The proposals will be kept within the existing financial frameworks. However, the government will try to gain the state pool parties approval to earmark DKK 10 million annually from the state pool for a new national coordination structure on the social services and special education area.

The government will discuss the proposal with the parties of the Parliament and subsequently with Local Government Denmark and Danish Regions.

**Key initiatives in the government's proposal on follow-up on the Evaluation of the Local Government Reform****Quality and cooperation in the health service**

Strengthening of the health agreements  
Increased professionalism in rehabilitation and rehabilitation work  
Focus on the effort for people with brain damage  
Further development of the financing systems

**A qualified effort for groups with special needs**

Ensuring the most specialised social service efforts  
Focus on the efforts for people with severe eating disorders  
Longer planning horizon for the regional programmes  
Securing and development of the most specialised educational efforts  
Audit of the rate regulations must support effective operations

**Professionalism and efficiency on the environment area**

Approvals for raw material recovery to be moved from the municipalities to the regions  
Approvals for waste deposit sites to be moved from the municipalities to the regions  
Assessment of the ground water mapping after 2015

**A results-oriented business development effort**

New regional growth and development strategy  
Effective utilisation of business development funds  
Results-oriented regional growth partnerships  
Involvement of the regions in the youth education area

**More freedom in the regions' governance**

Option to freely establish permanent committees  
Freer frameworks for task performance with private companies and with other public authorities



## 2. Quality and cooperation in the health service

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The Local Government Reform entailed a new organisation of the health service. The municipalities were given the responsibility for a number of programmes close to the citizens on the preventive care and rehabilitation area. This gave the municipalities the opportunity to perform these tasks in close cooperation with, e.g. the social services and employment efforts for the citizen. The regions were given the responsibility for hospital treatment and the medical practice sector.

The Evaluation of the Local Government Reform shows that the current task distribution in the health service functions well fundamentally – but that there is a need to strengthen the efforts and cooperation across sectors in a number of areas.

Consequently, the government has submitted an overall health policy proposal with a new stance for the health service "More citizen, less patient – A strong, united health service". Among other things, the proposal follows up on the recommendations from the Evaluation of the Local Government Reform to strengthen the cooperation

across the municipal healthcare programmes, hospitals and general practitioners. The individual citizen must meet a health service that is cohesive and has its starting point in the citizen's needs and resources.

The government's goal is that the individual Dane must remain a 'citizen' as much as possible and be a 'patient' as little as possible.

An important element in the health policy proposal is a strengthening of the health agreements between municipalities and regions.

In the rehabilitation area, the evaluation also indicates a need to ensure increased professionalism in the municipal efforts, including for example, training and rehabilitation of people with complex and comprehensive brain damage. Therefore, the government will implement a number of new initiatives in the area.

The government will also work further with the remuneration systems in the healthcare area so they support short and effective treatment programmes to a higher degree.

## Strengthening of the healthcare agreements

With the Local Government Reform, requirements were introduced that regions and municipalities must enter into healthcare agreements on the cooperation and coordination of tasks in the healthcare area.

The assessment indicates that there is a need to strengthen the healthcare agreements so they can support cohesive continuation of care to a greater extent and set the direction for cooperation between municipalities and regions.

### The government will

- Strengthen the healthcare agreements. Five healthcare agreements instead of 98 – one for each region – based on concrete objectives which are agreed on between regions and municipalities.
- Determine new mandatory focus areas for healthcare agreements with focus directed towards persons with chronic illnesses, patient-related preventive care and health IT.

Therefore, included in the government's health policy proposal is that the government will rethink the healthcare agreements so there will be five healthcare agreements looking forward – one for each region – instead of 98. In special cases the individual municipality can agree on extra elements with the region. For example, in the form of local spearhead projects.

The government will determine new mandatory focus areas for healthcare agreements focusing on the challenge of more chronically ill patients, patient-related preventive care and health IT. National indicators will also be developed for the healthcare agreements' mandatory focus areas.

With five healthcare agreements containing specific objectives and new mandatory focus areas, the frameworks for cooperation on the patients across municipalities, hospitals and general practitioners will be significantly strengthened.

## Increased professionalism in rehabilitation and the rehabilitation work

The Evaluation of the Local Government Reform shows that the hospitals' rehabilitation plans do not provide an adequately precise description of the citizens' needs for the municipal rehabilitation work. At the same time, how quickly the rehabilitation commences in the municipalities varies greatly. Consequently, the government will implement a number of initiatives that will raise the work in the area by, for example, increasing the hospitals' competences.

### The government will

- Develop a stratification tool that will form the basis for targeting the rehabilitation programmes in relation to the citizens' needs.
- Strengthen the hospitals' competence to describe the rehabilitation need for the group of citizens with very comprehensive and complex rehabilitation needs as well as the possibility to set a deadline for when the work must begin.
- Prepare pre-hospitalisation assessment guidelines and healthcare quality criteria for the rehabilitation work for citizens with very complex rehabilitation needs.
- Follow the development on the rehabilitation area with focus on, among other things, waiting times.

### *Targeted rehabilitation plans and a strengthened role for hospitals*

Effective rehabilitation work requires that the municipalities know the citizen's needs so they know what to focus on. The rehabilitation plans from the hospitals today do not ensure the necessary communication to a

sufficient degree between the hospitals and the municipalities. Typically they only describe the physical rehabilitation needs even though the citizen may also need training of mental and cognitive problems.

At the same time, the evaluation also indicates that there are groups with simple rehabilitation needs where today the rehabilitation plans are unnecessarily detailed.

Therefore, the government will ensure that a tool is developed to classify patients into various groups on the basis of whether they have more or less complex rehabilitation needs as well as how extensive the needs are (stratification).

The stratification tool will be developed by the Health Service in cooperation with Local Government Denmark and Danish Regions.

The stratification tool will create the basis for a targeting of the rehabilitation plans in relation to citizens' needs:

- The plans will be simplified for citizens with modest rehabilitation needs.
- The plans for citizens with more complex rehabilitation needs will be expanded so the hospital can describe the overall rehabilitation needs (incl. cognitive and mental problems), including the use of neurological expertise, for example.
- For citizens with particularly complex and extensive rehabilitation needs, following further delimitation – the hospital will have the possibility of describing methods, extent and character of the work the municipalities must provide.

- The hospital will have the option of setting a deadline for when the rehabilitation work in the municipality must begin when substantiated health needs exist for fast initiation of the work.

The strengthened role for hospitals will be particularly relevant in the area of brain damage where many citizens have comprehensive and complex rehabilitation needs

and where the need for fast initiation of the rehabilitation work is often crucial, cf. box 2.1.

Moreover, the government will initiate diagnosing work in the Health Service which will clarify where the interface, between outpatient rehabilitation under the auspices of the hospital and rehabilitation in the municipalities, should lie with focus on people with complex and extensive rehabilitation needs.

#### Box 2.1

##### Focus on people with acquired brain damage

People with acquired brain damage is a patient group that can have a very complex and extensive need for rehabilitation and where the hospitals now have the option to describe methods, scope and character of the rehabilitation work the municipality has to provide.

The complex aspect involves not only physical rehabilitation that can be performed by physiotherapists and occupational therapists. People with acquired brain damage often also need rehabilitating efforts according to the social services and special education legislation, which is aimed towards remedying problems with, e.g. speech and memory. These efforts will be attended to by specialist teachers, educators and psychologists.

In future, the hospitals will prepare more comprehensive rehabilitation plans for this patient group, which will also include mental and cognitive problems and thus require a neuropsychiatric diagnosis at the hospital. The more comprehensive rehabilitation plans can support the municipalities in their diagnosing and referral to rehabilitation. This, together with the hospital's new possibility to set a deadline for the start of the rehabilitation, will be particularly relevant to people with brain damage as a fast initiation of the correct effort can often be crucial to whether the citizen can regain his or her functional ability.

#### *Referral guidelines*

The government will ensure that referral guidelines are prepared which the municipalities can rely on when they are to refer citizens with particularly complex and extensive rehabilitation needs. This will support the referral of citizens to a programme that has the correct professional competences.

The guidelines will be prepared by the Health Service and the National Board of Social Services in cooperation with Local Government Denmark and Danish Regions.

#### *Professional planning of the specialised efforts in the municipalities*

The government will initiate the work of determining joint health quality criteria for the specialised rehabilitation effort for people with very extensive and complex rehabilitation needs, including the area of brain damage.

With the basis in the quality criteria, professional planning of the programme structure in the area of brain damage will be implemented, which determines an appropriate number of specialised programmes for brain damage in each region. In doing so,

increased professional sustainability and transparency in the programmes is ensured and that all municipalities have the necessary professional programmes. The planning will be implemented under the auspices of the new national coordination structure in the social services area, cf. chapter 3.

#### Ongoing monitoring

The government will carefully follow the development on the rehabilitation area, for example, waiting times and the work in relation to the various groups.

## Further development of the financing systems

The resources in the health service must be used in the best possible way so the most health is achieved for the money.

With the Local Government Reform, municipal co-financing of the regional health service was determined. The scheme was revised on 1 January 2012 and will be evaluated when the regulations have worked for a period.

#### The government will

- Review the municipal co-financing of the regional health service when the recently revised regulations have functioned for a period.
- Investigate the possibilities to focus on patients' overall continuity of care to a higher degree instead of paying the individual contact.

The Evaluation of the Local Government Reform also indicates that the payment systems in the health service today do not sufficiently prompt focus on quality and cohesive continuity of care.

The same conclusion is included in the report from the committee for improved incentives in the health service where also specific initiatives are presented that support a more cohesive and efficient patient treatment.

The government's goal is for the financing system to support a cohesive and efficient patient treatment.

Therefore, included in the government's health policy proposal is that the focus on the payment is moved from payment of the individual contact to focus on the patients' overall continuity of care to a higher degree. This will be included in the development of the DRG system looking forward.

### 3. A qualified effort for groups with special needs

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The Local Government Reform has created a new organisation in the specialised social services area. Previously, where the tasks were shared between counties and municipalities, the responsibility for citizens' social services efforts were gathered in the municipalities.

The same organisation is repeated in the special education area where the municipalities took over the county special schools and were given the opportunity to take over the communications centres. However, the responsibility for operating and developing the efforts in the individual, very specialised educational programmes was transferred to the regions.

The aim of gathering the responsibility in the municipality was to put the citizen in focus so assistance to the citizen was anchored in one location.

The evaluation shows that since the Local Government Reform, a gradual movement towards increased inclusion of the citizen has occurred in the individual municipality's programmes in the immediate environment. Based on a request, the aim has been that citizens with disabilities and special needs are, as far as possible, not isolated from families and networks.

But there has also been criticism that the municipalities do not make sufficient use of

specialised knowledge and that consequently an inexpedient de-specialisation has occurred. The Evaluation of the Local Government Reform also expresses concern that special professional environments will be lost.

At the same time, the evaluation points out that a national overview is lacking of specialised knowledge of the area and over the supply of highly specialised programmes.

The government's goal is to ensure that the necessary specialised programmes and competences are available and that the knowledge base is developed for the benefit of quality.

Therefore, the government will give the state an enhanced role in relation to supporting and coordinating the most specialised efforts and knowledge development in both the social services and special education area. At the same time, the municipalities will have the possibility to take over the most specialised educational programmes so they can be operated in connection with the municipalities' other efforts on the social service and education area.

In future, the municipalities will be able to take over regional programmes every fourth year.

## Ensuring the most specialised social service efforts

The government will give the National Board of Social Services a new role in ensuring professional planning of the very specialised effort in the social services area.

The goal is for municipalities to have access to the necessary specialised programmes and competences – and that the programmes are dynamically developed in line with the changing needs. An essential element in professional planning in the social services area is therefore a close and ongoing involvement of the municipalities and regions in how the efforts are to be organised.

The planning entails a new dialogue-based coordination structure that will be a national secondary level in the framework agreements that are entered into every year between the municipalities in a region and the region.

Also indicated in the evaluation is the effort for people with severe eating disorders and people with complex brain damage as being areas in which there is a need for increased planning of the specialised efforts. These areas will be some of the first target groups that will be focused on in the planning.

### The government will

- Establish new, dialogue-based national coordination structure for the highly specialised social service efforts in the social services area under the auspices of the National Board of Social Services.
- Give the National Board of Social Services the competence to determine a programme structure in an area in very special cases.
- Lessen the municipalities' establishment costs for the creation of highly specialised programmes through a new loan pool.
- Give the municipalities freer frameworks in order to support the operation of specialised programmes through special financing schemes and establishment subsidies.
- Prepare national guidelines for the specialised rehabilitation efforts for people with severe eating disorders.
- Ensure a strengthened professional basis for the highly specialised efforts.

### *Key statements on efforts and target groups*

The National Board of Social Services will be given the competence to select target groups or special efforts where there is a need for increased coordination or planning between the municipalities in order to ensure the supply of specialised efforts and further develop the knowledge on the area.

For each region, the municipalities will report together to the National Board of Social Ser-

vices on how they will arrange and organise. The National Board of Social Services' consideration of the reports must take place in dialogue with the municipalities and their solution proposals. Thus, the municipalities will continue to have the full responsibility to ensure the necessary programmes for their citizens.

#### *Supplementary powers to the National Board of Social Services*

If the dialogue with the municipalities is insufficient, the National Board of Social Services will have the opportunity to instruct the municipalities to perform a renewed processing of the report for the specific focus area.

In addition, the National Board of Social Services can instruct a municipality or region with operations responsibility and thus determine a programme structure in an area:

- If the National Board of Social Services identifies a need for special efforts that are not being performed and therefore, there is a need to establish a new programme.
- Where a specific programme that performs very special work cannot be performed in another way is threatened with closure.
- Where there are a number of small programmes for one target group, each of which are not professionally sustainable. Here, a municipality or a region can be instructed to gather the programmes with a view to a consolidation. At the same time, other municipalities and regions will not be able to establish new programmes in relation to this specific target group.

The National Board of Social Services will have to reconsider the imposing of operation responsibility after a period in order

to ensure flexibility in the programme structure.

#### *Strengthened professional basis for the highly specialised efforts*

The national coordination structure is inspired by the health service's special planning with respect for the essential differences that exist between the social services area and the healthcare area.

With the national coordination structure, the National Board of Social Services will be charged with the task to create a national overview of the specialised efforts as well as systematic knowledge building on the efforts for those target groups that need a highly specialised effort. In combination with relevant professional programme descriptions, this will give the National Board of Social Services a reinforced basis for dialogue with the municipalities on the specialised efforts.

The government will also initiate the preparation of national guidelines for treatment, rehabilitation and organisation of the specialised efforts for severe eating disorders, cf. box 3.1.

The government will seek acceptance from the state pool parties to prioritise DKK 10 million per year from the state pool for the national coordination structure and the task of knowledge building on the area.

The National Institute for Analysis and Research for Municipalities and Regions (KORA) will, furthermore, in 2013-2015, be requested to study the organising of the efforts for the following specific target groups:

- Specially injured babies and young children
- People with rare diagnoses with complex needs
- People with rare and complex communication needs
- People with severe eating disorders



- People with complex acquired brain damage

#### *Incentive to operate and develop programmes*

There is indication in the evaluation that the individual municipalities have limited incentive to establish and develop new, very specialised programmes. This is because it can be risky for a municipality to take on the task when there is no certainty of demand.

The government's goal is a dynamic programme structure that adapts to the development in the need for specialised efforts.

Therefore, the government will establish a loan pool which will contribute to easing the municipalities' establishment costs for the building up of new, highly specialised programmes in the social services area. The pool will be limited to programmes that are coordinated in the framework agreements.

In order to ensure operation of the programmes and efforts for small target groups, the municipalities must have the possibility to deviate from the rate regulations and establish special financing schemes locally. For example, this could be subscription schemes and binding purchase agreements. In doing so, the individual municipality's financial risk is reduced by taking on the operation of the programme.

#### **Box 3.1**

##### **Focus on people with severe eating disorders**

People with severe eating disorders often need long-term medical treatment and at the same time or, subsequently, social rehabilitation work. In this regard, a smaller part of the patient group will have a need for a follow-up, particularly specialised rehabilitation programme in the form of an intensive 24-hour programme where employees have specific competences and knowledge of rehabilitation of persons with severe eating disorders.

The government will also initiate the preparation of national guidelines for treatment, rehabilitation and organisation of the specialised efforts for severe eating disorders. Together with the new national coordination structure, this will provide the possibility to plan the capacity of specialised social rehabilitation programmes for people with severe eating disorders so it can be ensured that there is the necessary supply of particularly specialised programmes.

## Longer planning horizon for the regional programmes

With the Local Government Reform a number of county social services programmes were transferred to the regions. At the same time, the arrangement was introduced that the local municipality could choose to take them over.

The municipalities have shown great interest in operating the former county pro-

grammes. Consequently, the regions currently operate only about five percent of the existing social services programmes.

Since the regional programmes can be taken over by the local municipality every year, the regions cannot be certain of the time perspective for the performance of the operating task. This can limit the possibi-

ties for long-term planning of operations and development.

The government will give the regional programmes a longer planning horizon than is the case today. Therefore, the government will adjust the municipalities' possibilities to take over regional programmes so that, in future, this can only take place every fourth year. This will give the regional programmes greater certainty of future place-

ment and thus a better basis for planning and investments.

#### The government will

- Change the local municipalities' options to take over the regions' social services programmes so that this can only take place every fourth year (once in every election period).

## Securing and developing the specialised efforts in the special education area

A number of specialised educational programmes were continued with the Local Government Reform, with status as nationwide and regional programmes. The programmes are targeted towards people with communication disabilities, e.g. blind and deaf and people with combined and complex disabilities.

The regions were given the responsibility for seven of these programmes that cannot be taken over by the local municipalities. City of Copenhagen operates two of these programmes.

For many years the educational programmes have experienced declining student numbers. This must be seen in connection with the municipalities including students in their own programmes in the immediate environment so that the students can remain living at home. At the same time, deaf children today have advanced hearing aids implanted, which give them the possibility to perceive sounds (cochlear implant) and consequently do not need sign language education to such a prevailing degree.

In future, the programmes will have an essential role in supporting the municipalities'

efforts in the immediate environment with counselling, continuing education and knowledge development. In this regard, the evaluation points out that the specialised counselling and knowledge development in the area should, to a greater extent, be coordinated nationally across the programmes in association with VISO's special counselling function, cf. box 3.2.

The government's goal is to strengthen the development of knowledge and the knowledge environments in the area. At the same time, there must continue to be specialised education programmes for the small group of students with complicated or combined difficulties. This requires increased national coordination and improved synergy with the municipally operated special education programmes.

#### The government will

- Establish a national coordination structure for the very specialised education programmes
- Transfer the responsibility for counselling services to VISO.
- VISO will be given the responsibility for knowledge development in the specialised education area.
- Transfer the responsibility for supply of the national and regional education programme to the municipalities so that the organisation resembles the structure on the specialised social services area.
- Give the regions a universal service obligation so that the regions can continue to operate the programme if the municipality so requires.

#### National coordination structure

The specialised education programmes will be included in the national coordination structure on the social services area under the auspices of the National Board of Social Services and the Ministry of Education. This will ensure that also in this area, there will continue to be the necessary programmes for target groups with a need for specialised efforts. The coordination structure can also include particularly specialised efforts outside of the national and regional programmes, including for example, communication centres.

#### An overall responsibility for special counselling and knowledge development

To ensure an overall coordination of special counselling and knowledge development in the area, VISO will take over the responsibility in order to provide the special counselling services that currently belong under the national and regional education programmes. The services will be provided through a vendor network so that there continues to be an association to practice.

This also includes a new role for VISO of coordinating knowledge development around the most specialised efforts in the area. At the same time, VISO's connection to the professional environment will be strengthened in the special education area.

Together with the national coordination structure, the gathering of special counselling in VISO will support retention, development and spreading of the most specialised knowledge on the area.

With a view to harmonising the structure with the social services area, the responsibility of supply of the national and regional education programmes will be transferred to the municipalities. This will give the municipalities enhanced possibilities to ensure professional and operational synergy with the municipality's other programmes in the special education area.

The regions will be given a universal service obligation so that the regions can continue to operate the programmes if the municipalities so require.

**Box 3.2****VISO**

In connection with the Local Government Reform, the National Organisation for Knowledge and Specialist Consultancy (VISO) was established as a support function for municipalities and citizens in difficult individual cases. VISO provides guiding special consulting to municipalities, institutions, citizens, etc. in complicated individual cases in the field of social services and special education. VISO can also assist municipalities and citizens with clearing up special and complicated cases in the field of social services.

VISO's services are performed by a nationwide network of specialists who are employed in municipal, regional and private programmes. VISO's task is to also gather, develop and communicate knowledge of the social services area with a view to supporting the tasks of special counselling and explanation.

## Audit of the rate regulations must support effective operations

The individual municipality can operate programmes for all target groups. Therefore, with the Local Government Reform a framework resembling the market was introduced where the municipalities can purchase and sell programmes to each other, or purchase programmes from the regions and private vendors. The market is supported by regulations on settlement on the basis of cost-based rates.

The rate financing supports a dynamic in the development of programmes in the area. Thus, the operator has an incentive to adapt and develop the programme in relation to the needs in the municipalities.

However, the evaluation has also shown that the market does not always function as intended. Today, the rates do not support transparency around price and content, which makes it difficult, as a buyer, to compare the various options for programmes for the citizen and choose the most effective one. At the same time, the operators always have the option to finance loss by raising the rates. This means that the incentive to operate programmes effectively and adapt the capacity is reduced in those

cases where the operator only finances a few of the places.

The government wants a transparent market with a supply of efficiently operated programmes.

### The government will

- Revise the rate regulations in the social services area in order to increase comparability and the incentives to operate the programmes efficiently.

The government will review the current regulations for calculation of rates in the social services area. In future, there must be common regulations on the calculation of rates for municipal, regional and private programmes. This will provide greater comparability.

The rates must be determined, to a greater extent, with a description of the basic service and service units, possibly combined in "service packages". This creates increased transparency and comparability between programmes as the description re-

flects what is actually being purchased and delivered to a higher degree than today.

The rate change must also improve the incentives to operate the programmes efficiently and ensure moderate rate develop-

ment. Consequently, municipal and regional operators will have access to retaining a profit of up to five percent of the budget locally. At the same time, a loss of five percent of the budget will not be incorporated in the rate for the programme in future.

## 4. Professionalism and efficiency on the environment area

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The Local Government Reform entailed a new distribution of tasks in the nature and environment area. The municipalities were given the responsibility for, by far, the majority of the tasks. Tasks that were especially technically complicated were placed with the state, while tasks with raw material planning and soil contamination were placed with the regions.

The Evaluation of the Local Government Reform has shown that in the years after the reform, there have been challenges for the municipalities to perform the tasks. But the evaluation has also shown that the majority of the challenges are handled best within the current distribution of tasks.

Consequently, a number of initiatives have been initiated over recent years, cf. box 4.1 and 4.2, the full effects of which are too early to assess.

### **Box 4.1**

#### **Approval and inspection of stock-farming enterprises:**

The municipalities have had challenges in managing the new legislation for stock-farming enterprises. The case processing in the municipalities has grown in a period without executing the cases at the same pace.

From 2008 and onwards, initiatives have been implemented in order to reduce the case bottleneck and the case processing time in the municipalities. The aim is a clearer control and better tools for the case processing.

### **Box 4.2**

#### **Water and nature plans**

With the agreement on the municipalities' finances for 2013, the government and Local Government Denmark were in agreement that in the coming years, the municipalities must strengthen the efforts in relation to the protected types of nature and the water environment. An authority group has been established that follows the development in the water and nature efforts.

With the agreement, the government and Local Government Denmark agreed to earmark DKK 106 million annually for the municipalities' water and nature efforts up to 2015.

However, the evaluation has also shown that within the individual environmental task, there is no clear task distribution between the municipalities and the state. The vagueness can lead to disputes and double case processing.

The government's goal is a clear division of responsibilities plus the best possible quality and an efficient utilisation of the resources in the nature and water area within the given financial frameworks.

Therefore, the government assesses that there is a need to adjust the task average regarding raw material recovery and waste disposal sites. This must support increased professionalism and efficiency in the effort.

Furthermore, the government will establish a committee that can assess the relevant considerations of a possible maintenance of the ground water mapping. Among other things, the committee will assess whether a possible mapping after 2015 could be attended to by the regions.

## Approvals for raw material recovery to be moved from the municipalities to the regions

Raw materials such as sand, gravel, stones, peat, clay and chalk are necessary for many activities in society such as building, construction and industry production.

The task of mapping and planning recovery of raw materials is currently with the regions, but it is the municipalities that give the specific permit to recover raw materials.

This task distribution is inexpedient because, for example, the border between the regional planning competence and the municipal permit competence can be difficult to draw.

At the same time, there are so few annual applications for recovery at national level that the municipalities do not have the possibility to build up and secure competences on the raw materials area.

The government will gather the competence to map, plan and issue approvals into the regions.

### The government will

- Move the competence to issue approvals for raw material recovery from the municipalities to the regions.

The gathering of the tasks will mean that the enterprises need only have contact with one authority and this will lead to clear division of responsibilities in the area.

The move will also raise the quality in case processing by more cases being processed in the same place. It will also support a more uniform and flexible case processing.

Given that the municipalities are the authority for a large part of the areas that will be included in an assessment according to the raw materials act, the municipalities will be a key party at the hearings and there will be a need for close cooperation between municipalities and regions in cases regarding raw materials.

## Approvals for waste deposit sites to be moved from the municipalities to the state

The competences to approve and conduct inspection of waste deposit sites are currently shared. The municipalities are responsible for approving new waste deposit sites and changes to waste deposit sites, while the state conducts inspections of the waste deposit sites.

This shared authority competence is inexpedient. This is because, firstly, it can be difficult for the municipalities to keep abreast of the inspection activities of the state and the enterprises' self-regulation.

Secondly, there can be disagreement between the state and the municipality in the assessment of whether the site changes and expansions on existing sites release requirements for additional approval from the municipality.

Thirdly, the municipal case workers can have difficulty building up and maintaining the special environmental skills that are required in the processing of waste deposit sites, as there are only one or two waste deposit sites per municipality.

Therefore, the government will gather the tasks of waste disposal sites into the state.

### The government will

- Gather the tasks of waste disposal sites by moving the approval competence for waste disposal sites from the municipalities to the state.

The gathering of cases in the state will create a clear division of responsibilities so that disputes between the state and municipalities can be avoided and the municipalities will no longer need to approve own and joint municipal sites.

The gathering of tasks will also lead to greater uniformity and professional sustainability in the processing of cases. The case workers will thus gain more experience and routine when all cases are gathered in one place. It will also lead to an improved resource utilisation as only one authority will be dedicated to the area and maintain the knowledge.

For citizens and enterprises, the consolidation of tasks will mean that in future they only need to relate to one environmental authority.



## 5. A results-oriented business development effort

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With the Local Government Reform, the development of the local and regional growth conditions throughout the land is strengthened. The goal was to create a more cohesive and simple structure that could ensure enterprises a fast and effective case processing in relation to the questions and problems they encounter in their working day.

The municipalities were given the responsibility for the local business promotion in the form of specific information, guidance and targeted development activities. With the establishment of the regional growth forums, the regions were given the responsibility for the regional business development. The state would continue to lay the overall political lines for the growth policy.

In addition, the regions were tasked with preparing regional development plans that have the aim of promoting the overall regional development across sectors.

With "Vækstplan.dk" (Growth Plan), the government has set an ambitious agenda to improve the competitiveness of the Danish business community to once again activate employment. Here, the municipalities'

and regions' efforts for business development are an important part of the overall effort.

The Evaluation of the Local Government Reform shows that essentially, there has been success in realising the goal of a unified and more cohesive effort on the business area. The municipalities have on the whole strengthened their efforts in the area since 2007, however, with considerable variations. The efforts of the growth forums have also created a more professional business development effort and stronger regional ownership.

However, the evaluation has also pointed out some challenges in the area. Among other things, there is a need to strengthen the impact of the effort and ensure that the funds for the area are used most effectively with focus on results. This requires a strengthened evaluation effort, among other things.

The government's goal is to secure a cohesive and results-oriented development effort for growth, business development and regional development.

## New regional growth and development strategy

Today, in the regional development plan, the regions must describe the desired future development of the regions' towns, rural districts and peripheral regions. The Evaluation of the Local Government Reform indicates that the regional development plan, in terms of content, has complied with the legislation but does not have sufficient impact.

### The government will

- Consolidate the regional development plan and the regional business development strategy into one strategy.

Therefore, the government will consolidate the regional development plan and the regional business development strategy into a new regional growth and development strategy.

The goal is, to an even higher degree, to create the foundation for a cohesive effort for growth and development in the regions. Like the regional development plan and the regional business development plan does today, the strategy must broach a number of topics of importance to growth and development, including the regional growth conditions, the business development ef-

fort, the education and employment effort, infrastructure, development in peripheral regions, cooperation with neighbouring countries on topics relating to development as well as culture. Moreover, the strategy can address larger towns' importance to growth, climate adaptation and public transport, etc.

The new strategy must strengthen the ownership in municipalities and regions to work with growth and development. The municipalities must relate to the strategy in relevant municipal strategies, including in the business development effort.

The regional growth forums will prepare a draft to the strategy, which the regional council will expand to relevant areas, such as development of the education area, public transport, culture, etc. It is important that the strategy is prepared on a joint evidence-based basis.

After a public hearing, the overall strategy will be completed and approved in the regional council. The strategy will be drawn up every fourth year.

The new regional growth and development strategy will be incorporated into the law on business promotion.

**Box 5.1****The regional development plan and business development strategy**

On the basis of an overall assessment, the regional development plan must currently describe the desired future development of the regions' towns, rural districts and peripheral regions – and for nature and environment, including recreational purposes, business, inclusive tourism, employment, education and culture across the sector areas. The regional development plan must distinguish itself from other types of plan by not being area regulating.

Today, the regional growth forums have to prepare a *regional business development strategy* for the region within the national business and growth policy frameworks. The business development strategy must have its starting point in the area's growth conditions and business strengths and weaknesses, so that realistic but ambitious objectives and focus areas can be set up. For example, the strategy must focus on the peripheral regions.

## Effective utilisation of business development funds

It is important to get the most possible benefit from the tax revenue that is used to create growth and employment. This applies to the efforts of the municipalities, regions and the state.

**The government will**

- Discuss with the municipalities that a larger portion of the business development funds are used directly on business service and development.
- Give the Danish Growth Council the task of promoting a consistent method of evaluation.

Currently, only about 60 percent of the municipal funds are used on the area for direct business service and business development activities. The remainder is spent on policy and strategy development, administration and organisation development, etc. The government will dis-

cuss with Local Government Denmark how it can be ensured that a larger portion of the funds will be used directly on business service and development.

At the same time, the evaluation indicates that continues to be a challenge to get a clear picture of the results of the growth forums' efforts. Therefore, the government will give the Danish Growth Council the task of preparing a joint framework for the evaluation and secure the basis for a strong method of evaluation.

This will make it easier to compare the results across growth forums and build further on the experiences gained. In the long term, this will contribute to creating an improved basis in order to prioritise which projects need to be initiated and in doing so, increasing the effect of the funds is expected.

## Results-oriented regional growth partnerships

The regional growth partnerships which the government enters into with the regional growth forums have the purpose of strengthening the connection between the national and regional efforts on growth and business development.

### The government will

- Continue the regional growth partnerships with the regional growth forums after 2013.
- Focus on making the growth partnerships more results-oriented.

The government places importance on the regional growth partnerships becoming more results-oriented. This entails shorter

and more specific partnerships with focus on, e.g. follow-up on the work in the number of growth teams.

The government will continue the growth partnerships after 2013 and in doing so strengthen the connection further between the national and regional efforts on growth and business development. The aim is to create synergy and for the public funds for the area to be used cost-effectively and results-oriented.

Furthermore, the Danish Growth Council will be tasked with following up on the growth partnerships, including follow the progress in the partnerships and propose new topics that can be focused on.

## Involvement of the regions in the youth education area

With the coming years' drop in year groups of young people, it is important to ensure the right supply of youth education programmes throughout the country so the overall capacity is utilised as best possible.

The Evaluation of the Local Government Reform has indicated that in this regard, it is relevant to involve the regions' knowledge of capacity planning in the area with a view to supporting a sufficient and varied supply in the region.

### The government will

- Make it specific that the regions must be involved in the decision that existing places of education are to be closed.

Today, the regional council has the task of coordinating the overall effort in the region to ensure coherence in the range of youth education programmes, including the geographic location of the supply and capacity of the education programmes. The regional council's coordinating takes places in cooperation with the independent educational institutions.

The government will make it clear to the institutions that the regions must also be involved by the institutions responsible for education in the decision of whether existing places of education must be closed.

## 6. More freedom in the regions' governance

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The regions' form of governance, which was introduced with the Local Government Reform is the flexible executive committee governance. The evaluation shows it is a generally well-functioning form of governance.

At the same time, the evaluation identified a few areas in which the regions are subject to inexpedient limitations in their function. The government's goal is to simplify the regions' form of governance and increase the regions' possibility to enter into cooperation with the private sector and perform tasks for other public authorities.

### The government will

- Give the regions the option to establish permanent committees without prior approval from the Ministry of Economic Affairs and the Interior and with the option to provide remuneration within the existing financial frameworks.
- Give the regions access to participate in companies, etc. in the healthcare area – if they do not narrow the regions' powers – without prior approval from the Minister of Health.
- Give the regions the same opportunities as the municipalities to perform tasks for other public authorities that they can perform themselves.

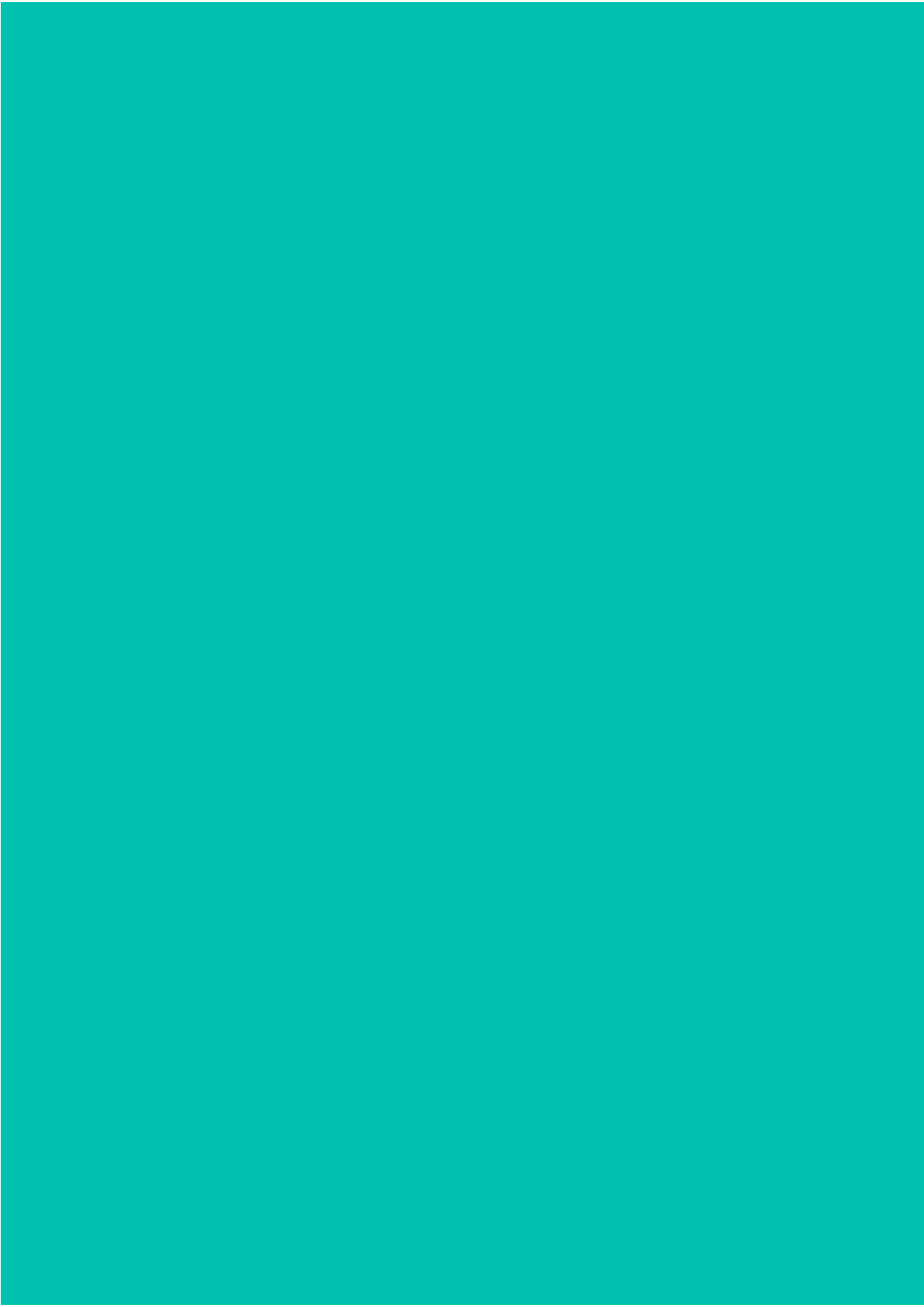
The flexible executive committee governance today means that the regional council needs to establish an executive committee. If the regions want to establish permanent committees, this requires dispensation from the Minister of Economic Affairs and the Interior. The government will give the regions access to freely establish permanent committees in future, both with and without participation in the immediate administration of the regions' affairs. At the same time, the regulation that remuneration can only be provided to members of special committees will no longer apply when these are of an interim character.

The regions must also have better possibilities to enter into cooperation with other players, private as well as public, and perform tasks for other public authorities.

According to the Health Act, a regional council can, with approval from the Minister for Health, enter into cooperation with public authorities and private companies on the performance of specific tasks. The government will relax the rules on the area so that the regions' participation in companies, etc., covered by the Health Act and which do not involve the limiting of the regions' powers, will no longer require prior minister approval.

According to Act 548 on the municipalities' performance of tasks for other public authorities and municipalities' and regions' participation in companies, municipalities

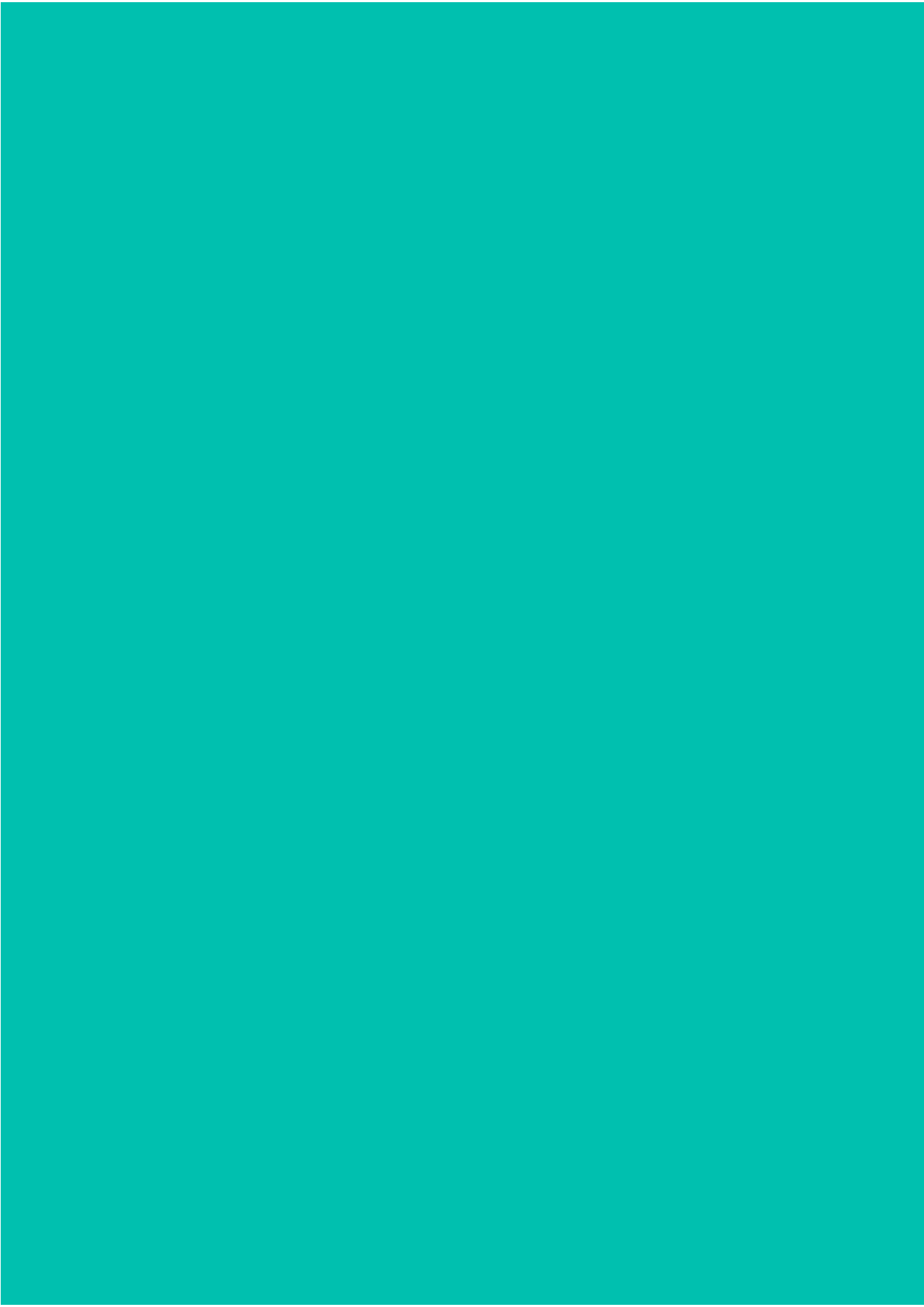
can perform tasks for other public authorities, which the municipality can perform for themselves. The government will equate the regions with the municipalities so that in future, the regions will have similar possibilities as municipalities.



Agreement between  
the government,  
Denmark's Liberal Party,  
the Danish People's Party,  
Red-Green Alliance,  
Liberal Alliance and  
the Conservative People's Party  
on:

Frameworks for adjustment of  
the Local Government Reform  
(26 June 2013)





# Agreement on the frameworks for adjustment of the Local Government Reform

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The government, Denmark's Liberal Party, the Danish People's Party, Red-Green Alliance, Liberal Alliance and the Conservative People's Party are in agreement to implement a number of initiatives for the adjustment of the Local Government Reform from 2007. The initiatives will contribute to a more flexible and more efficient public sector with a closer and more well-functioning cooperation between municipalities, regions and state. Citizens and enterprises will experience, to a higher degree, a cohesive public sector with smooth transitions between the authorities.

The framework agreement is based on the government's proposal "Bedre kvalitet og samarbejde" (Better quality and cooperation) from 1 June 2013 the following main elements and time frames for the implementation:

- *Quality and cooperation in the health service* The hospitals' competence in relation to rehabilitation plans for patients with complex rehabilitation needs will be strengthened. This will support increased professionalism in the overall municipal effort. There is agreement that the changes will be implemented at the latest by 1 July 2014. Added to this are initiatives to create increased cohesion for the citizen, including by going from 98 to 5 healthcare agreements and implementing an evaluation of the municipal co-financing.
  - *A qualified effort for groups with special needs* A new national coordination structure will give the state (National Board of Social Services) a new significant role in ensuring that the necessary choice of programmes exist for the most specialised target groups. The intention is to support the municipalities' utilisation of the programmes and that the programmes are dynamically developed in line with the changing needs. This will counteract inappropriate de-specialisation. There is agreement that the coordination structure will be developed over the next two years and must be fully implemented on 1 July 2015. The specialised efforts on the special education area will be included in the coordination structure under the auspices of the National Board of Social Services and the Ministry of Education. The municipalities will be given the full responsibility of supply in the special education area with effect from 1 July 2014 and special counselling will be consolidated in VISO. The regions' universal service obligation on the social services and special education area will continue and in future the municipalities will only be able to take over regional programmes every fourth year.
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- *Professionalism and efficiency in the environment area* Approval of waste deposit sites will be moved from the municipalities to the state and the competence to issue approvals for raw material recovery will be moved from the municipalities to the regions. This adjustment in tasks will support increased professionalism in the effort. There is agreement that the task adjustments will be implemented at the latest by 1 July 2014.
- *A results-oriented growth and business development effort* The regional development plan and the regional business development strategy will be gathered into one growth and development strategy with a view to achieving greater impact and visibility. There is agreement that the change will be implemented so that the first new strategies will be prepared in 2014.
- *More freedom in the regional governance* The regional councils will have increased degrees of freedom. There is a majority<sup>20</sup> in favour of the regions being able to establish permanent committees and have better opportunities to participate in companies, etc. in the health area without prior approval from the Minister of Health and to perform tasks for other public authorities. There is a majority in favour of the regions being able to establish permanent committees with effect from 1 January 2014 and that the other initiatives will be implemented with effect from 1 July 2014.

*Economy and the further process*

The parties to the state pool are in agreement to earmark DKK 10 million per year from the state pool for the national coordination structure and the task of knowledge building in the National Board of Social Services regarding the specialised social services and education efforts.

The government will discuss the establishment of a loan pool of DKK 100 million with the municipalities. The loan pool will contribute to easing the municipalities' establishment costs for the building up of new, highly specialised programmes in the social services area.

Appendix 1 contains a detailed explanation of the government's evaluation of the financial consequences of the agreement.

The parties to the agreement agree that the legislation which will implement the initiatives will be voted on at the next session of parliament. In autumn 2013, the specific results of the initiatives will be discussed via, for example, legislative work under the leadership of the responsible minister.

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<sup>20</sup> Denmark's Liberal Party, the Danish People's Party and the Conservative People's Party are not part of the majority.

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Agreement on the frameworks for adjustment of the Local Government Reform

Finally, the parties to the agreement agree that they will take stock on the follow-up on this framework agreement in one year.

# Appendix 1: Economy – Follow-up on the Evaluation of the Local Government Reform

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The proposals in the government's initiative "Better quality and cooperation – Follow-up on the Evaluation of the Local Government Reform" will be kept within the existing financial frameworks.

However, the new national coordination structure and knowledge building in the social services and special education area entails additional expenditure of DKK 10 million per year. In this regard, the government will seek the acceptance of the parties to the state pool to earmark DKK 10 million annually from the state pool.

The following reviews the economy in the individual proposal in the government's initiative.

## 1. Strengthening of the healthcare agreements

This entails a cutting down on bureaucracy by going from 98 to five healthcare agreements as in so doing, fewer administrative resources will be used in the municipalities, regions and the state. On the other hand, the implementation of the enhanced focus on the follow-up of healthcare agreements, including development of indicators and common objectives, involves increased administrative resource consumption.

All in all, unchanged administrative resource consumption is expected within the area.

## 2. Increased professionalism in the rehabilitation effort

The proposal on increased professionalism in the rehabilitation effort is based on a suggestion from the committee on the Evaluation of the Local Government Reform.

The committee on the Evaluation of the Local Government Reform has taken the view that possible increased costs in connection with more specific rehabilitation plans for persons with very complex rehabilitation needs is counterbalanced by a simplification of rehabilitation plans for persons with less complex rehabilitation needs. Thus, the committee has also taken

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the view that it will be possible simplify the communication between the hospital and municipalities about the individual rehabilitation plans of which the municipalities have broad experience. At the same time, the group of persons with very complex rehabilitation needs will be limited.

Finally, it must be noted that in the government's initiative, there is a proposal to follow the development in the rehabilitation area. This also entails monitoring of the development in resource consumption so an inappropriate development can be avoided in the number of rehabilitation plans.

On the whole, it is the government's assessment that the proposal for increased professionalism in the rehabilitation effort will not lead to changes in the overall resource consumption in the area.

It should also be noted that the initiative must support more citizens getting through rehabilitation faster and better. This will lead to greater quality of life for those affected and fewer costs for sickness benefits, flex-jobs, incapacity benefits, etc.

### 3. Further development of the financing systems

The assessment of the municipal co-financing of the regional health service will be implemented within the financial frameworks of the Ministry of Health.

### 4. Securing of the most specialised social service efforts as well as securing and developing the specialised efforts in the special education area

The proposals to secure the most specialised social services efforts and securing and developing the specialised efforts in the special education area is mainly based on proposals from the committee on the Evaluation of the Local Government Reform.

It is apparent from the government's initiative, that the government will seek acceptance from the state pool parties to prioritise DKK 10 million per year from the state pool for the national coordination structure and the task of knowledge building on the area, including knowledge building regarding the specialised educational programmes.

It is further apparent that the government will establish a loan pool which will contribute to easing the municipalities' financing of establishment costs for the building up of new, highly specialised programmes in the social services area. According to the draft to the framework agreement, the government will discuss the establishment of a loan pool of DKK 100 million with the municipalities.

The possible provision of a loan pool will thus be seen in relation to the municipalities' overall economy. Furthermore, the municipalities will continue to have the full responsibility to ensure the necessary programmes for their citizens. Thus, it has been established that the proposals will not lead to a need to adjust the municipalities' financial framework.

The national coordination structure includes the National Board of Social Services being able to instruct a municipality or region with operations responsibility and thus determine a pro-

gramme structure in an area. In its hearing statement to the evaluation committee's report, Local Government Denmark has indicated that it is disturbing if decisions can be made on orders regarding operations responsibility without financial responsibility being a part of this. Thus, Local Government Denmark finds that the use of such authority should be the exception or be accompanied with a financial responsibility.

In extension of this, it must be emphasised that the government has taken the view that the National Board of Social Services will be able to give orders on operations responsibility as an exception, cf. page 10 of the initiative.

KORA's task of studying the organisation of the efforts for a number of specific target groups will be financed within the framework that is earmarked for analysis activities, which the Ministry of Economic Affairs and the Interior can requisition, cf. Section 10.11.41 of the Budget.

The changes to the special education area will be implemented within the existing financial frameworks, cf. however, additional expenses regarding the national coordination structure as described above. The current municipal financing of the special education functions in the national and regional programmes can be moved from the municipalities to VISO.

#### **5. Longer planning horizon for the regional programmes**

The proposal to change the local municipalities' options to take over the regions' social service programmes only every fourth year does not entail changes to the economy in relation to those cases today where a local municipality takes over a social services programme.

#### **6. Audit of the rate regulations must support effective operations**

The proposal to audit the rate regulations will increase comparability in the area and increase the incentives to operate the programmes effectively. Consequently, this is not assessed as resulting in additional expenses.

#### **7. Approvals for raw material recovery to be moved from the municipalities to the regions**

The proposal is a task change and a DUT adjustment must be conducted between municipalities and regions within the existing financial frameworks.

#### **8. Approvals for waste deposit sites to be moved from the municipalities to the state**

The proposal is a task change and a DUT adjustment must be conducted between municipalities and the state within the existing financial frameworks. Savings in resource consumption are not assumed, but there is an expectation that the change will be able to lead to a certain streamlining given that all cases will be processed in the same place.

#### **9. New regional growth and development strategy**

The proposal entails that two previously independent strategies – the regional development plan and the regional business development plan – will be consolidated into one strategy.

The strategy will include those areas which the two strategies each include today and will therefore be able to be kept within the current financial frameworks.

## 10. Effective utilisation of business development funds

The initiative states that the government will discuss with the municipalities that a larger portion of the funds for business development will be used directly on business service and development instead of strategy and administration.

It must be noted that the municipalities' business development activities is a voluntary task, which the municipalities perform differently, just as there is a difference as to how many resources the municipalities earmark for the area.

The aim of the proposal is to contribute to a more efficient utilisation of the funds, but the financial frameworks remain unchanged.

The proposal to give the Danish Growth council the task of promoting a consistent evaluation method must be performed within the existing financial frameworks for the area.

## 11. Results-oriented regional growth partnerships

The proposal to make the regional growth partnerships more results-oriented will be performed within the existing financial frameworks for the area.

## 12. Involvement of the regions in the youth education area

The proposal to clarify that the regions must be involved in the decision to close existing places of youth education will not lead to changes in the economy on the youth education area.

## 13. The regions' permanent committees

The proposal that the regions must have the option to establish permanent committees without prior approval from the Ministry of Economic Affairs and the Interior entails that it will be possible to provide remuneration to those committees without requiring that they be of intermediate character. The remuneration provided must be kept within the existing financial frameworks.

## 14. The regions' access to participate in companies, etc. in the healthcare area

It is apparent from the initiative, that the government proposes that the regions must have access to participate in companies, etc. in the healthcare area – provided they do not limit the regions' powers – without prior approval from the Minister of Health.

It is noted that the regions today, pursuant to the authority mandate, have ordinary access to (i.e. within other areas than the health care area) to cooperate with others, including in company form, on the performance of regional tasks without this requiring approval.

The proposal deregulates the access to establish public-private cooperation within the healthcare area. The proposal does not entail financial changes.



### 15. The regions' option to perform tasks for other public authorities, which the region can perform for itself

The proposal will give the regions a general but, however, limited access to perform tasks for other public authorities, which they can perform for themselves. For example, this could be within cleaning, linen laundry and food preparation.

The regions will be able to sell services to municipalities and other public authorities within the threshold value, which according to the public procurement directive applies to services (currently DKK 1.5 million per task).

Thus, the proposal is in accordance with the EU's public procurement regulations and prohibition against state support. The proposal will be implemented within the existing financial frameworks in the regions.

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