



Council of Ministers

Report on the draft bill for the Streamlining and Sustainability of Local Administrations

- Municipal powers are to be clarified to prevent overlaps and to eliminate "improper powers", which will result in savings of at least 3.5 billion euros
- 3,725 smaller local authorities are to be dissolved
- Local authority coalitions (*mancomunidades*) that do not have guaranteed financial sustainability will be dissolved and their powers will pass to the provincial councils, which are to be bolstered
- The role of the municipal inspectorate is to be strengthened. Functionally, this office will report to the General State Administration, giving it greater independence and objectivity, as well as ensuring the legality and financial and budgetary control.
- In the next municipal elections, 21,388 town councillor positions will be eliminated and municipalities will not be able to have more than 35 town councillors

13 July 2012. The Council of Ministers has received a report from the Ministry of Finance and Public Administrations, on the draft bill for the streamlining and sustainability of local administrations, based on the principle of "One administration, one competency" in order to bring about a more efficient management, saving at least 3.5 billion euros through the elimination of overlaps and improper powers.

The draft bill proposes changes to the basic municipal legislation enabling local authorities to adapt to the Organic Law on Budgetary Stability and Financial Sustainability, and to prevent them from spending above their revenues. To do this, municipal powers are to be revised and updated, defining precisely which powers should be exercised by municipalities, clearly differentiated from state or regional powers.

This is to ensure that local authorities no longer assume improper powers, meaning competencies that are not attributed to them by law and for which they have no funding. The reforms mean that powers over education and healthcare will move from local authorities to regional governments.

However, the changes do not involve the abolition of any municipalities, which will ensure that the popular will of the people will be represented in town and city councils. Nevertheless, it promotes the grouping of services to help bring about significant cost savings through economies of scale. According to the Institute for Fiscal Studies, the cost of providing services to the public is four times higher in municipalities of 5,000 inhabitants. This means that the per capita cost in towns of less than 5,000 inhabitants is 2,613.57 euros, while in towns of more than 100,000 inhabitants it is 652.91 euros.

Provincial Councils, Island Councils and Inter-island councils will therefore play a greater role in managing obligatory minimum services in towns with less than twenty thousand inhabitants.

As a result, the savings generated through the absorption of obligatory public services by provincial councils in towns with fewer than five thousand inhabitants will total 2.248 billion euros, rising to as high as 3.5

billion with the absorption of powers in towns of up to twenty thousand inhabitants.

Currently, 71.3% of the municipal coalitions do not comply with the obligation to produce annual accounts. Responsibility for the services provided by the coalitions will be handed over the Provincial Councils, a more transparent administration, of which 90% present annual accounts.

The dissolution of the coalitions that do not meet the assessment criteria will result in an estimated saving of seven hundred million euros.

Likewise, more than 70% of smaller local authorities fail to present annual accounts.

A total of 3,725 smaller local authorities are to be dissolved. These include hamlets and parishes, which will be absorbed into the town councils to which they belong.

Delegation or transfer of powers

Improvements are also to be made to the regulation of agreements between Administrations. Up to now they have been a source of debt as the transfer of powers was not accompanied by the transfer of the corresponding funds. With the reform, the agreements through which the State, the Autonomous Regions or any local authority delegates powers in municipalities, must be expressly accepted by these and will have to result in improved efficiency in public administration.

Another essential condition in order for the agreement to be signed will be the contribution to eliminate administrative overlaps. The delegating Administration will retain the control mechanisms required to ensure adequate provision of the delegated service. The delegation of powers will be accompanied by the transfer of the corresponding annual budget.

Standard of obligatory services

From now on a distinction will be made between obligatory and optional services. Municipalities will have the guarantee of sufficient funding for their obligatory services and it will not be possible to claim funds from another administration beyond a standard service provision level. Only when the obligatory services are financially guaranteed will it be possible

to provide optional services.

A resizing exercise is to be undertaken in the local public sector, comprised of a large number of entities, organisations, societies, foundations and public consortiums, which have proliferated in recent years, to cut down on their numbers, ensure professional management standards and save costs. These authorities have until 31 December 2014 to correct their deficits, otherwise they will be dissolved on 1 August 2015.

Furthermore a limit has been set on the number of local authority advisors, whereby their numbers may not exceed the number of councillors.

Lastly, the role of the municipal inspectorate and civil servants with national authority is to be bolstered in order to increase the independence, professionalism and objectivity of the role to guarantee the legality and control of finances and budgets in local administrations. The inspectorate will once again report functionally to the General State Administration. At the same time collaboration between the state and local administrations will be promoted.

Publishing the pay of mayors and councillors

Once the next Budget Act is introduced, the budgets for each year will set the pay scales for mayors and councillors based on the characteristics of the municipality. It should be taken into account that the future Transparency Act will make it obligatory to publish salaries and payments received by local elected figures.

Number of councillors to be cut

Through the second draft bill presented to the Council of Ministers by the Minister of Finance and Public Administrations, amendments are also to be made to the Organic Law on the General Electoral System, in order to cut the current number of councillors by a third, from 68,578 to 47,240. This means that at the next municipal elections, 21,338 fewer councillors will be elected, a reduction of 31.1%.

Furthermore, a limit of 35 councillors is to be set for larger municipalities.