

The Danish Structural Reform

August 2004

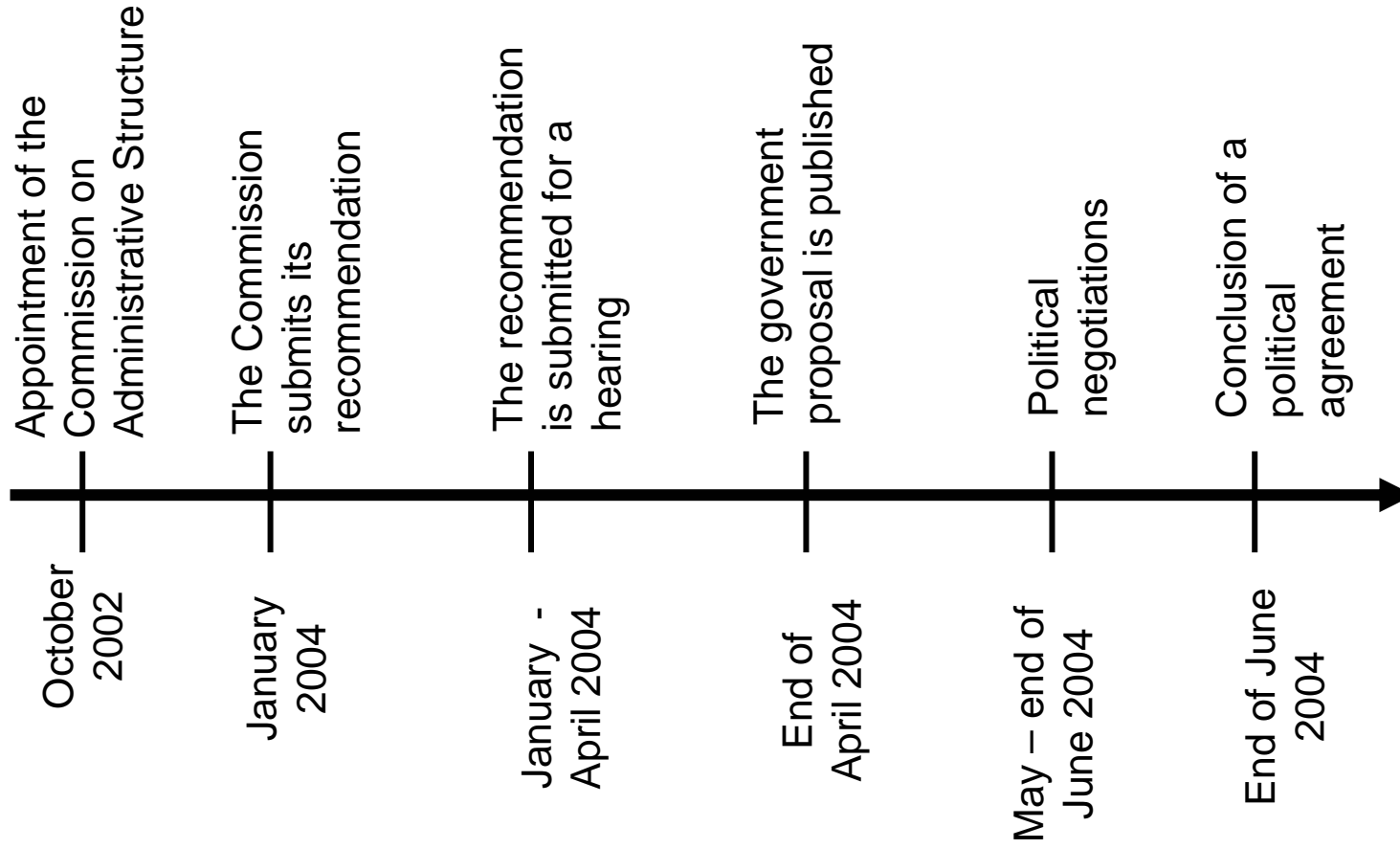
Structural Reform

The reform in brief

- From 14 counties to 5 regions
- The regions will primarily be assigned responsibility for health care
- The regions will lose the right to impose taxes
- The municipalities and the state will have new tasks
- The municipalities should aim at a population of at least 30,000 inhabitants
- Municipalities of less than 20,000 inhabitants must enter into binding partnerships
- From 271 municipalities to just over 100 ????

Structural Reform

The debate on structure in Denmark - time line



Structural Reform

Why does the debate on reform take place now?

The society has evolved since 1970

- From an industrial to a service society
- More mobility - increased commuter traffic
- Technology offers new opportunities
- More individualism/the critical consumer
- Growth in the public sector, including the municipalities

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Why does the debate on reform take place now?

Changes in the political sphere:

Is the framework from 1970 still valid?

- Increased focus on health care
- In general, the Danish Parliament has increased focus on local task performance

The activities of the Danish Parliament have changed:

- Many parties (minority governments)
- Standing committees, increased secretariat assistance
- EU, privatisation and decentralisation
- Many competing media

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The consultative committee for the hospital service of 2002:

- Appointed by the government at the beginning of 2002
- Should assess the need for reforms and modifications in the structure of health care and hospital service, financing and management as well as private-public cooperation
- The committee submitted its report at the beginning of 2003
- Main conclusion: The requirement for a sustainable patient base for a hospital service has increased to 400-700,000 inhabitants.

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Appointment of a Commission on Administrative Structure

- The Commission on Administrative Structure was appointed on 1 October 2002
- The Commission consists of:
 - A chairman appointed by the Minister for the Interior and Health
 - Three members with special expertise in the relevant subjects
 - Local Government Denmark, the Association of County Councils in Denmark, the City of Copenhagen and the Municipality of Frederiksberg
 - The Ministry of the Interior and Health, the Ministry of Finance, the Ministry of Economic and Business Affairs and the Ministry of Justice

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The task of the Commission:

- To provide a technical and expert analysis to be used as a decision basis with respect to changes of the framework for the performance of public sector tasks
- To assess the advantages and disadvantages of alternative models for the organisation of the public sector and on this basis to present recommendations for changes that will remain sustainable for many years

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The task of the Commission:

- Make an assessment of which geographical and demographic criteria, including which municipal and county sizes, should apply in future with the existing distribution of tasks
- Make an assessment of the advantages and disadvantages of alternative models for changed distribution of tasks between the state, counties and municipalities
- Make an assessment of the advantages and disadvantages of reducing the number of administrations with directly elected leadership from a three-tier to a two-tier structure.

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Maturity process in the municipalities

- Local Government Reform in 1970
- Decentralisation in the '70s
- Local autonomy in the '80s
- Criticism and new prerequisites in the '90s
- Local debate on the municipalities of the future at the end of the '90s

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New prerequisites

- More demands from the citizens
- New welfare challenges
- Limited scope for local politics
- New conditions of growth

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Example: Citizen demands

- More freedom of choice
- Individual services
- Queues and waiting time are unacceptable
- Virtual contact and new technology

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Example: State demands

- Political pressure to create uniformity
- Detailed management and individual cases
- Budget restrictions
- Marketing
- National politicians have expectations

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Future municipalities

- From a pressured to a strong local government
- How do we maintain and develop a decentralised society for the next 30 years ????

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A common standard of values

- Focus on the citizen
- Quality and efficiency
- Task performance close to the citizen
- Sustainable municipalities

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Divided opinions in 2002

- The debate had matured
- Many municipalities were ready
- Still divided opinions!
- "Why is that necessary? – Five poor municipalities do not make one rich municipality"
- "The sooner, the better"

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Local Government Denmark welcomed the Commission on Administrative Structure

- This is an opportunity to get rid of all the myths
- This is an opportunity to defend and develop local government
- This is an opportunity to decentralise even further

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Broad debate during the work of the Commission in 2002 and 2003

- Debates throughout the country
- Discussion papers and homepage
- Focus groups with local politicians about:
 - Democracy
 - Tasks
 - New government systems

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At the beginning of 2004 – The conclusions of the Commission on Administrative Structure:

The Commission finds that:

- Many of the existing administrative units are too small in relation to the task performance required by the legislature today
- In a number of areas it is difficult to ensure a coherent and coordinated effort
- In some areas there are problems due to parallel functions/tasks allocated to several levels of administration

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At the beginning of 2004 – The conclusions of the Commission on Administrative Structure:

Municipalities

The Commission finds:

- That a minimum size of municipalities of 20,000 inhabitants will provide the framework for satisfactory, professional sustainability in the solution of the most important current tasks
- That decentralisation of additional tasks to the municipalities will increase the requirement to the minimum size of municipalities to 30,000 inhabitants

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At the beginning of 2004 – The conclusions of the Commission on Administrative Structure:

Regions

- Fewer regions are required
- Reason: Primarily health care and planning tasks require fewer regions
- Max. 7-8 regions
- Min. 3 regions
- The number depends on the government system and the composition of tasks

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Hearing about the Recommendation of the Commission on Administrative Structure:

- The Recommendation of the Commission on Administrative Structure was submitted for a hearing in January 2004. The deadline was 7 April 2004.
- The Recommendation was submitted for a hearing in municipalities, counties and a comprehensive number of organisations and associations
- Approx. 475 responses from the hearings were received

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Hearing about the Recommendation of the Commission on Administrative Structure:

- Different opinions on the size of municipalities in the executive committee of Local Government Denmark
- General agreement that Local Government Denmark should present a collective response regarding the municipalities of the future
- A compromise was reached

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Hearing response from Local Government Denmark

- The municipalities should be assigned more tasks
- The municipalities should be bigger
- Tasks and size will be determined by the Danish Parliament
- Counties/regions should be maintained
- The regions should not have the right to impose taxes

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At the end of 2004 – Government proposal: The new Denmark

- The counties will be abolished and replaced by 5 health care regions that assume responsibility for hospitals and health care. The regions have no other tasks.
- The health care regions do not impose taxes. Instead the state charges a flat health care contribution
- The municipalities should have at least 30,000 inhabitants, but less sustainable municipalities may continue if they enter into binding partnerships regarding a number of tasks

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May - June 2004 – Political negotiations:

- The largest issues in relation to the other large political party - the Social Democrats - are the tasks of the regions as well as financing, the employment effort and equalisation.
- On 24 June 2004 the government and the Danish People's Party will enter into a political agreement about the structural reform

Structural Reform

Purpose of the structural reform

- A simple and efficient public sector
- Better service with unchanged tax levels
- Improved health care service
- Clear responsibility and elimination of grey areas
- Improved citizen service with less bureaucracy
- More citizen involvement and improved participatory democracy

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More tasks concentrated in the municipalities

- The citizens' access point to the public sector
- Responsibility for allocation and financing of all social services
- Larger role within health care (part financing)
- Larger role in the one-tier employment effort
- More responsibility for physical planning in the municipality
- Business service
- Special education concentrated in the municipalities
- More responsibility for cultural activities
- More responsibility for traffic - roads and collective transport

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Social services

- Responsibility will be concentrated in the municipalities close to the individual and the family in the immediate environment
- One authority - clear responsibility
- The municipality is the authority - institutions and professional expertise continue
- The regions maintain management of specialised county services
- Strengthening of knowledge and counselling under one national umbrella

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New regions: Health, development and specialised operations

- Responsibility for hospitals, health insurance and psychiatric treatment
- Regional development plans constitute a vision and a framework for development in the region
- Operation of specialised social institutions
- Collective transport in collaboration with the municipalities
- No right to impose taxes, but the option to charge contributions from the municipalities

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Improved health care service

- Concentration of expertise in five regions
- Municipal co-ownership and financing responsibility
 - Basic contribution
 - Co-financing of treatment of citizens
- Prevention, care and rehabilitation after hospitalisation will be concentrated in the municipalities
- Rehabilitation plans ensure the patient's right to rehabilitation
- Strengthening of the National Board of Health

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Financing sources of the regions:

The regions' finances will be divided into 2 separate parts: Health care and other tasks

- Health care:
 - Block grant (general grant from the state) (approx. 75%)
 - State activity-related subsidy (max. 5%)
 - Municipal contribution to financing of the health care service (approx. 20% - partly activity-related and partly population-related)
- Other tasks
 - Development contribution per inhabitant to be paid by the municipalities

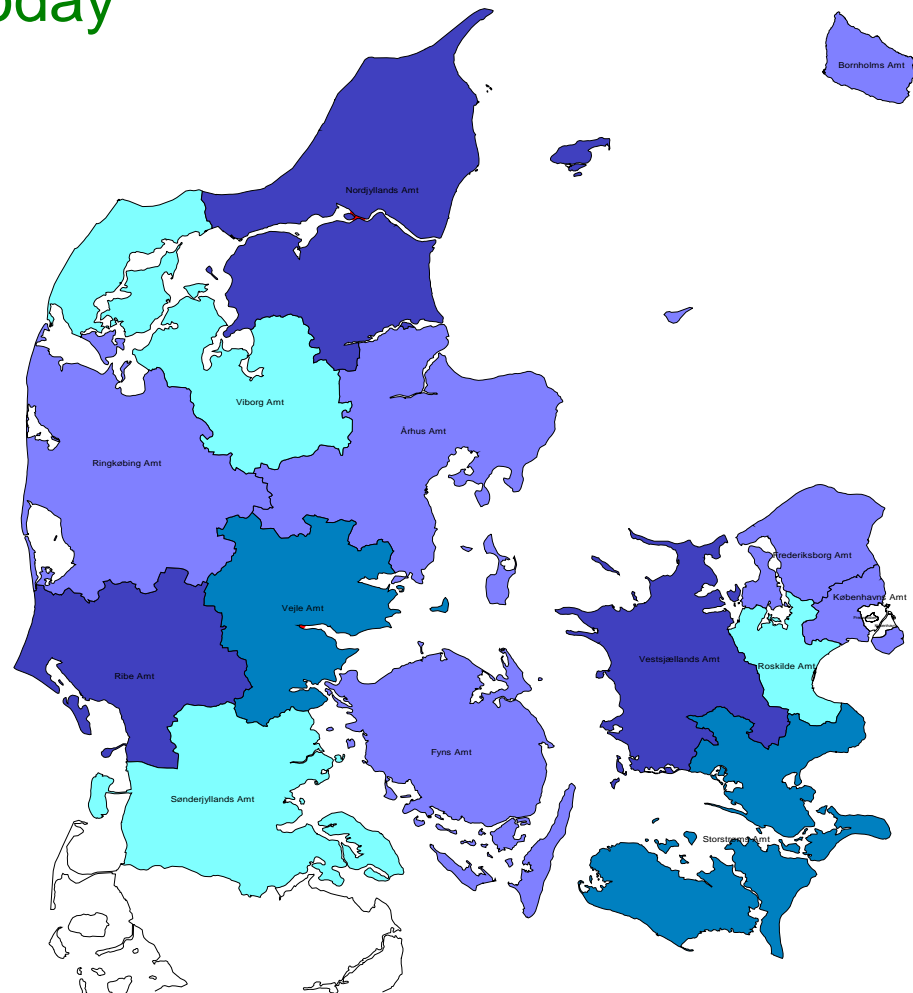
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Development throughout Denmark

- More tasks and more planning responsibility in the municipalities
- Regional development plans will be an inspiration and the umbrella for development initiatives in the region
- Focus on business development in growth fora in the regions with a broad variety of participants

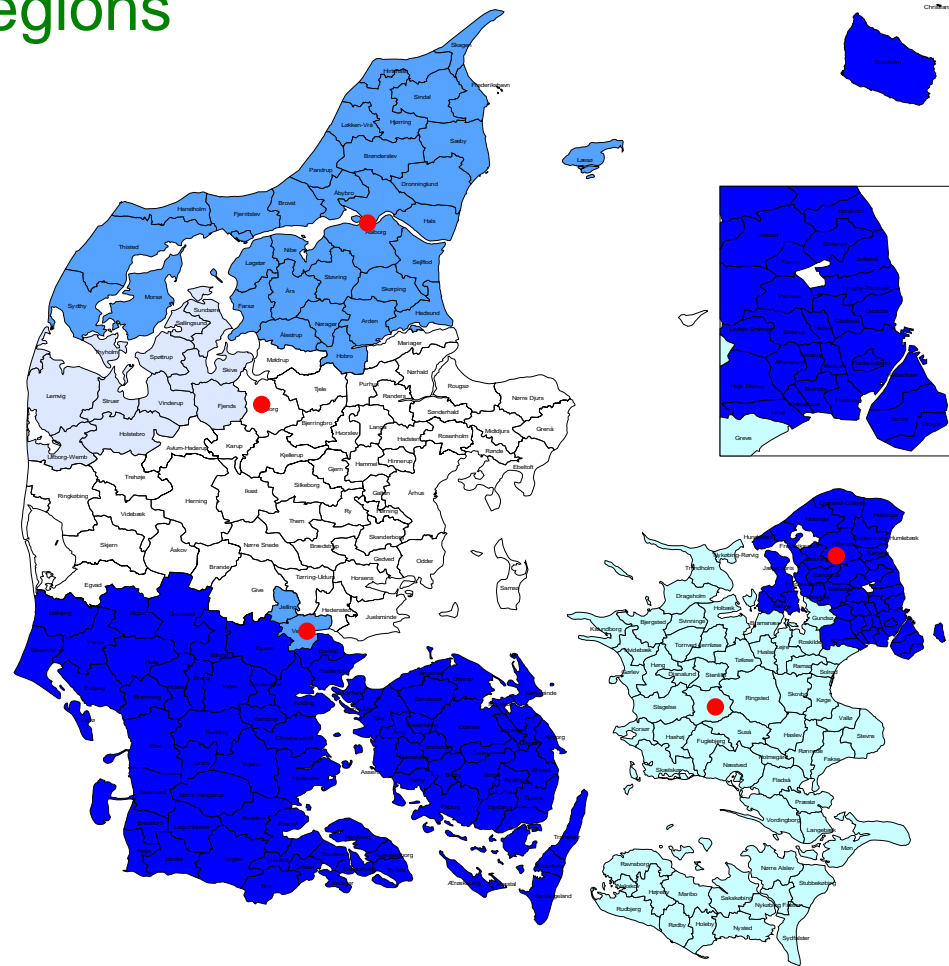
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Counties today



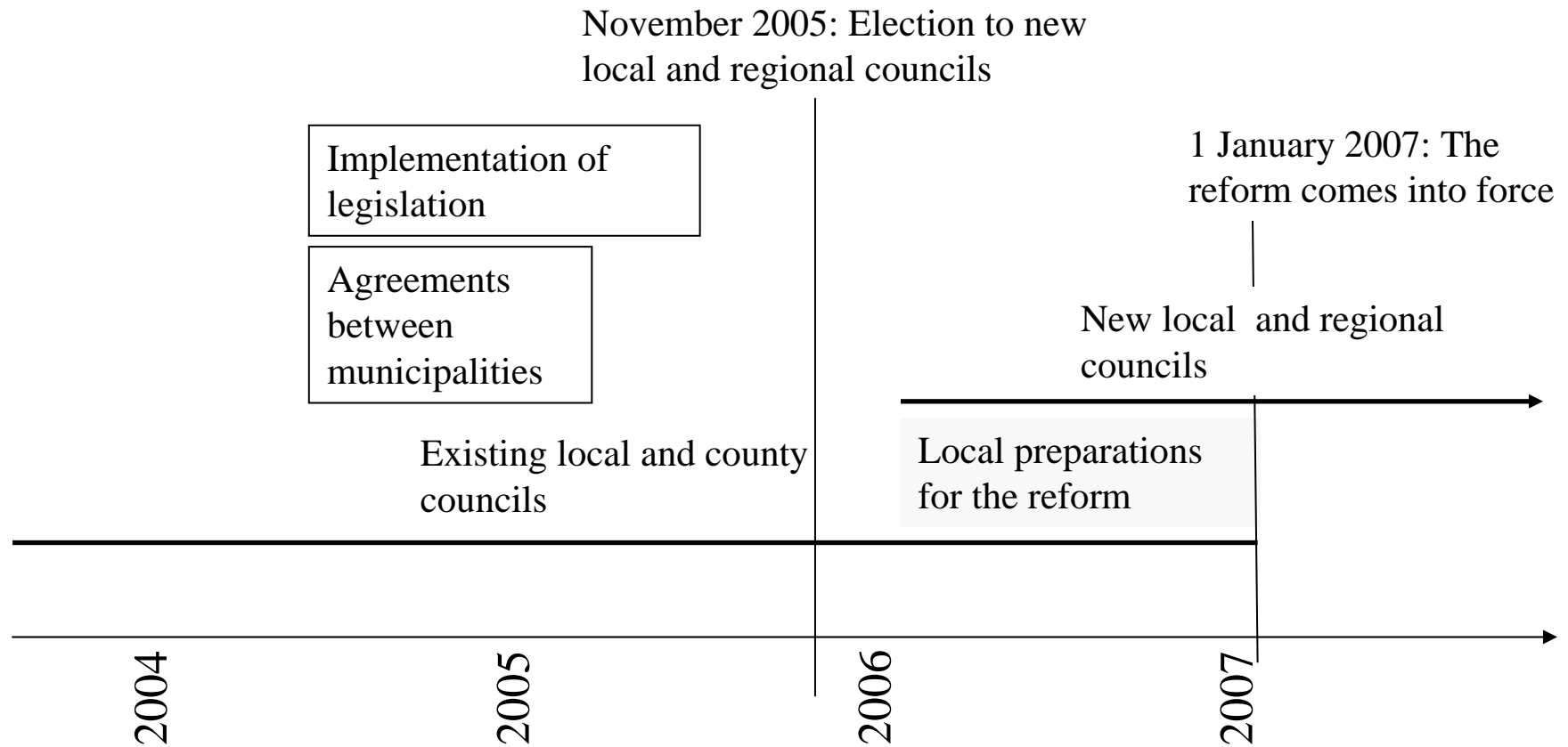
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The new regions



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Time line



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How to ensure sustainability of the municipalities?

- The aim is municipalities of approx 30,000 inhabitants
- Municipalities with less than 20,000 inhabitants should either:
 - Merge into municipalities of at least 20,000 inhabitants or
 - Enter into binding partnerships including at least 30,000 inhabitants
- Partnerships should include new tasks as well as current local tasks related to the new tasks
- Partnerships should include a permanent selection of municipalities
- Partnerships will be based on delegation of tasks to another municipality

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The municipalities have to make a decision by 1 January

- Many opinions
- Some municipalities have already decided on a merger
- A group of smaller municipalities are investigating the possibilities of partnerships
- Many municipalities are in favour of "large municipalities" due to regional goals

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Tasks of the municipalities

- Health care services
- Social services
- Education
- Taxes
- Labour market
- Environment and planning
- Cultural activities

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Health care

- The municipalities should co-finance health care services
- Basic contribution
- Activity-related contribution
- A total of approx. DKK 11-12 billion
- The goal is to improve local health care services
- New preventive and follow-up services to obtain a highly specialised health care service

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Social services and special education

- The municipalities will have all the authority
- The municipalities will have full financing responsibility
- Many institutions will be transferred to the municipalities
- The regions will have the operational and the supply responsibility for the majority of the existing social institutions in the counties and the most specialised institutions for special education

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Taxes

- Tax assessment will be transferred from the municipalities to the state
- The municipalities maintain the responsibility for citizen service

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Environment, planning and nature

- The environment and planning tasks of the counties will be distributed between the state and the municipalities
- The state will be responsible for certain areas of nature that are currently the responsibility of the counties
- The municipalities are worried about centralisation with new and large state agencies

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Culture

- Cultural activities should to the extent possible be a local responsibility for the municipalities
- The municipalities will have the financing responsibility
- However, the state maintains the financing responsibility for the most specialised institutions

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The coming months

- The municipalities have to agree politically on size/merger and partnerships
- Proposals for new legislation and amendments will be prepared
- The many technical details are to be assessed – finances, IT, contracts, staff, etc.
- Tasks will be transferred on an ongoing basis

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Finances

- The reform is neutral in terms of expenditure - funds follow the task
- The individual bills include an assessment of the specific financial consequences, also between the levels of authority
- The transition schemes ensure a stable restructuring process
- Social service systems ensure a limited number of expensive individual cases
- The equalisation reform will ensure that the overall financial effects on the individual municipalities are evaluated and that shifts of the financial burden are evened out as much as possible.

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Staff issues

- Most workplaces will remain unchanged even though the responsibility lies with another authority
- When tasks are transferred, employees are transferred with them
- The principles of the Company Transfer Act ensure security and clarity about staff transfer
- The transfer phase provides the basis for clarity about future location in due time

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The political level

Number of local politicians today:

- 357 elected politicians in the existing 13 county councils
- 4,597 elected politicians in the existing local councils, including the city council in Copenhagen and the regional council on Bornholm

Number of local politicians in future:

- 205 elected politicians in the future regions
- ?? elected politicians in the future municipalities depending on the number of municipalities and the number of members of the individual local councils