

Local government reporting to the state

A cost benefit assessment

Executive summary

En rapport til KS og
Kommunal- og
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Executive summary

This is a summary of the main report assessing costs and benefits of municipal reporting to the state. The project is conducted on behalf of KS and the Ministry of Local government and regional development during 2010.

The main question for this report is whether the reporting of information from local authorities to the central government has higher costs than benefits. The goal is to gain new knowledge that can be used as a basis for efforts to streamline the time- and resource use for municipalities and the central government, and to help reduce costs.

The study focuses on the administrative burdens imposed by reporting to the central government. Administrative burdens is a key concept, defined as the cost of compliance with information obligations required by law or regulations. While the burdens have a cost that can be quantified, the reporting has a value in its own that should be considered. The report maps the local government time and calculates costs based on payroll data. All activities of the reporting process have been mapped. Information about the use and benefits of the data has also been collected.

Our findings show that **total cost of regulatory administrative burdens** is estimated at 379 million, or 672 full time equivalent person years (FTE). This represents 0.13 percent of the total municipal operating budget. The estimate is a gross cost that does not take into account that the municipalities would have carried some of this work regardless of whether the state's claims fell away. The amount is lower if this is considered.

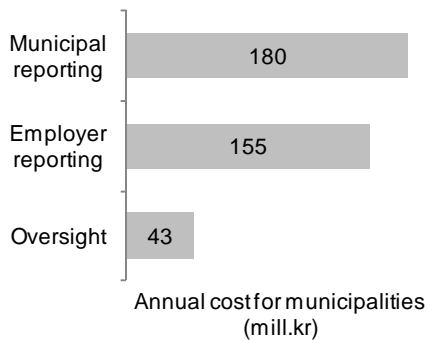
The study looks at three main categories of administrative burdens imposed by the central government. The first is the administrative burdens arising from the **statutory requirement** to report information about municipal operations. These obligations entail a duty to report information about finances, services and governance. The administrative costs for the municipalities of these schemes amount to about 320 municipal FTEs, or about 180 million kroner a year. It includes all relevant administrative costs of reporting, from preparation, collection, processing and submission. Half of the costs are concentrated in the three reporting systems: real estate land register, schools and the nursing / care system.

The second is the **reporting obligations** of the municipalities in its capacity as employer, equivalent to those for other employers. This includes sending information to tax authorities. This represents about 156 million kroner, or 276 FTEs.

The third is the administrative burdens imposed by **government oversight** and preparation for these. Preparation and execution of audits account for 43 million kroner annually, or 76 FTEs.

Administrative burdens imposed by the reporting is 379 million kr. annually

Figure 1: The cost of administrative burdens for local authorities of submitting information to the state



- Other burdens which are not estimated:
- Applications for grants earmarked
 - Singular Requests from the State
 - Singular requests from the media, public and others
 - Self-Initiated reporting from the municipality

There are also other types of reports that can involve costs for municipalities, but which are not considered here.

An important category among these is the application and reporting in connection with earmarked grants from the state. These belong to a different category, as information obligations are only imposed as long as municipalities apply for the grants. Participation in the grant scheme is not required by law or regulation. Some systems are so important to the local economy that it can be economically rational to apply for participation. We have reviewed some of these schemes, but not assessed their total cost. The scale is smaller than for other forms of municipal reporting, since not all municipalities apply for all grants. Nevertheless, costs of some of the applications can still be high, as the systems are more manual than for the mandatory reporting.

Reporting that municipalities initiate independent of the state, where there is a need for information on management systems and individual cases, is yet another category which is not considered in the study.

Furthermore, some other matters that are not normally understood as administrative burdens, but that still impose costs include, are worth mentioning. This applies mainly to ad-hoc external queries: State, consultants, researchers, opinion poll institutes and local and national media have a low threshold for conducting surveys and other inquiries to the municipalities. But as such work is not mandatory for local government, it is not covered by the report.

Apart from the costs, the **benefits** are also assessed for the mandatory reporting conducted by the municipalities. Our study shows that the data collected, processed and submitted has benefits for both the state and the municipality.

Municipalities would still have collected some information if the state requirements for reporting fell away. About 45 percent of respondents answer that they would have collected all or most of the information independent of the state requirement. A somewhat lower proportion, 30 percent, report that they had collected all or most of this information in relation to the 10 most expensive reports. The value of this for municipalities can be seen as a benefit, or it can be valued as a deduction of costs.

We have also documented how local government actually utilizes the information. This is based on both a review of action plans and annual reports, as well as an in-depth survey based on 130 interviews.

Municipalities use information that overlaps with the state reporting, in a systematic and structured way for key strategic documents. We find partly systematic representations of data from the services or finances, and comparisons with other municipalities or over time. Smaller municipalities use less of the information. The information is used more systematically in annual reports than in action plans.

Sector administrations are the most frequent users, says municipal employees in interviews. Supervisory boards use the information the least. The information from the reporting has an important function in connection with the municipal development and planning, and related to municipal control and monitoring. 60 percent say the information is important or very important for control and monitoring.

The state finds the reporting useful in several ways. Very little is considered to be of little use or to be redundant. We interviewed representatives from government ministries and agencies. The state overestimates to a certain extent how much of the information they believe local authorities use. The government considers the municipal use of information for reporting higher than municipalities do. The government places greater emphasis on the control aspect, and 63 percent report that information is important or very important for monitoring and control.

Government representatives say they have the capacity and resources to take advantage of the information reported. They have the resources required to deal with the information in the ways they choose. There is also no distinct desire to use information more than what is done today.

Municipalities consider the quality of the reports they provide as good. This is particularly evident for the most costly reports. For the 10 most expensive reports, 90 percent of respondents assessed the quality to be good or very good. The state likewise finds the quality good.

Apart from costs, there are also potential benefits of reporting beyond its direct use in the state and municipalities. How valuable this is for the broader society cannot be answered in this study. The effect is most likely positive and the benefit can be significant. It will require a separate analysis to consider, but we have nevertheless pointed out some factors in this report.

A central issue for the study is to make up our minds about whether the municipal reporting costs outweigh the benefits. For us it appears that the overall assessment is positive. Others may come to a different assessment and this is to be expected when comparing measurements that are not all quantifiable or based upon the same parameters. Costs can be measured precisely. Benefits are far more difficult to estimate and may not be easily to monetize and compare with cost. A comparison will therefore inevitably have to be somewhat subjective.

One possible reason for the relatively low costs identified for the municipalities could be that much of the costs are carried by the state. Much of the reporting is done within dedicated information systems for which development and recurrent costs are carried by the state. These costs have not been assessed.

We believe it is more appropriate to focus on areas of improvement, both in municipalities and in the state. The mandate of this study was to focus on total cost and benefits. Future efforts should focus on reducing costs and increasing benefits. We point out several such issues in the ensuing report.