

IN SEARCH OF LOCAL PUBLIC MANAGEMENT EXCELLENCE

SEVEN JOURNEYS TO SUCCESS

Julia Bosse
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Emanuele Padovani
Jan Ole Vanebo



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Finally, this publication is dedicated to all local public managers embarking upon their journeys in search of excellence...

Alexander Heichlinger

On behalf of the authors

EIPA Barcelona

INTRODUCTION

*'We live in an urban world. Half of the world's population already lives in cities.'*¹

In 2012, the 600 economic top cities generated 60% of the global GDP, whilst being home to only 20% of the world's population. In Europe, 67% of the GDP is produced in metropolitan regions.

Approximately 70% of the EU population (about 350 million people) lives in urban agglomerations of more than 5000 inhabitants², and there is a growing tendency. Regarding economic development, these figures suggest that the importance should be shifted from countries as a whole, to cities which are nowadays the generators of wealth, innovation, creativity, connectivity, productivity and employment, and are thus often the 'engines of their national economies'³. The development of cities will determine the future territorial, (socio-) economic and spatial development worldwide and thus also in Europe.

As stressed in the recent report by the European Commission on 'Cities of tomorrow. Challenges, visions, ways forward'⁴, cities nowadays face important pressures and challenges such as – to name a few – demographic change, an increasingly culturally diverse population, economic stagnation or decline, the impact of new technologies, growing income disparities, social polarisation and segregation, urban sprawl and environmental threats to the urban ecosystems.

These issues will affect cities to a varying degree. Major cities such as London, Paris, Madrid, Barcelona, Athens, Vienna and Berlin will experience further

¹ McKinsey Global Institute, *Urban World: Mapping the economic power of cities. Executive Summary*, March 2011, p. 1. http://www.mckinsey.com/insights/urbanization/urban_world_cities_and_the_rise_of_the_consuming_class.

² European Commission, Directorate General for Regional Policy, *Cities of tomorrow. Challenges, visions, ways forward*, Brussels, October 2011, p. 2. http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/citiesoftomorrow/citiesoftomorrow_summary_en.pdf.

³ See <http://www.oecd.org/regional/regional-policy/urbandevelopment.htm>.

⁴ European Commission, Directorate General for Regional Policy, *Cities of tomorrow. Challenges, visions, ways forward*, Brussels, October 2011. http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/citiesoftomorrow/citiesoftomorrow_summary_en.pdf.

growth coupled with, or due to, rural emigration; meanwhile some cities, mainly those located in the central and eastern parts of the EU and peripheral areas of Western Europe, will experience population shrinkages and a decline in economic growth. In addition, intra-urban dynamics will change: while city centres in the UK, Germany, Austria and Northern Italy develop faster than surrounding suburbs, fast growing sub-urbanisation can be observed in many countries in Central, Eastern and Southern Europe⁵.

In addition, increasing global economic pressure and stagnation are realities for many cities due to the disappearance of the traditional manufacturing industries as well as there often being a 'mismatch between labour market supply and demand'⁶. Temporarily, the effects of the economic crisis worsen the situation in many European countries. While governmental transfers have been reduced notably in countries like Greece, Ireland, Italy, Portugal and Spain due to the sovereign debt crisis, and while reductions were introduced at the mid-term level in the UK, only very few governments, like in France and the Scandinavian countries (Denmark, Sweden, Norway and Finland), managed to protect local budgets. In the case of the latter, the local level was actually better off than the national thanks to automatic stabilisers built into the intergovernmental transfer mechanisms. Generally speaking, local indebtedness has increased in the majority of European countries, with the exception of the Scandinavian group⁷.

At the same time, while the burden caused by the economic crisis is a (hopefully!) temporary phenomenon, the provision of services becomes more pressing in the long-term view based on the demographic change of an ageing society, and will outlast the crisis. As a consequence, one way to face the economic, societal and environmental challenges is to increase efficiencies, which many local administrations have been aiming towards in recent years⁸.

In order to meet the European vision of smart, sustainable and inclusive urban development in line with the Europe 2020 strategy, cities will have to aim for a high quality of life and welfare, social cohesion, social justice and holistic and sustainable development. The attractiveness of cities is determined by their quality of life and competitiveness, for business, but also for talent. Therefore, the challenge of local governments consists of developing attractive cities and turning the above-mentioned pressures and challenges into assets if possible, as well as using given factors – for instance the cultural diversity – as a push-factor for innovation and creativeness.

⁵ Ibid, pp.16ff.

⁶ Ibid, p. 18.

⁷ Council of Europe, *Local Government in Critical Times: Policies for Crisis, Recovery, and a Sustainable Future*, Council of Europe, Strasbourg, 2011, p. 52 http://www.ccre.org/docs/Local_Government_in_critical_times.EN.pdf.

⁸ Ibid.

*'Growth and prosperity of cities critically depend on the way the evolving challenges of cities are managed.'*⁹

It is thus of utmost importance that cities develop a holistic and sustainable approach towards urban and public sector development, focusing on citizens' and other

stakeholders' needs. This requires sustainable and long-term visions and strategies which will guide their future development. In order to be able to formulate these landmark strategies, cities need to have reliable information and analyses, not only about their specific economic and social situation, but also about internal public management aspects in relation to financial and non-financial data.

Anti-crisis and modernisation policies naturally have to involve all government actors and the coordination between local, regional and state policies is crucial. Such an approach also has to be sufficiently flexible in order to adapt a governance perspective that is suitable for respective challenges, which goes beyond the boundaries of districts or cities and creates links between the different layers of governments and across borders. Identifying, analysing and exchanging best practices can help public administrations in this huge task and ideally also equip them with the capacity to improve and perform their functions, as well as to learn from the other cases.

OVERALL AIM OF THE STUDY ASSIGNMENT

The objective of this study and publication is to examine, compare and contrast seven city performances (in search of excellence) – from the cities of **Bilbao (ES)**, **Birmingham (UK)**, **Mannheim (DE)**, **Milan (IT)**, **Tallinn (EE)**, **Tampere (FI)**, and **Trondheim (NO)** – which show creative solutions despite (or because of) being faced with the current challenges of reduced resources, an ageing population and climate change among others. The focus lies on local public management and governance – compared with other wider city concepts or analysis (e.g. Smart City, Green City) – of the seven selected European cities and presents their quest for excellence in a world of cities. Telling their success stories in the different areas of local public management in Europe will allow their knowledge and know-how to be transferred to other public administrations. By highlighting these local experiences, these seven cities will also boost the accountability and legitimacy of their actions, whilst enhancing the visibility and supporting the building of capacities throughout Europe. Moreover, it will help to draw common trends and lessons learnt, as well as leading to a better understanding of the success criteria ('...the making of...') of these best practices.

⁹ McKinsey Global Institute, *Urban World: Mapping the economic power of cities. Executive Summary*, March 2011, p. 6. http://www.mckinsey.com/insights/urbanization/urban_world_cities_and_the_rise_of_the_consuming_class.

The city cases not only aim to examine and describe the current status of the cities in question ('the picture'), but also the changes implemented in their operations and administration (in recent times) which made them succeed and contributed to their local development, growth and competitiveness.

Based on experience, it can be observed that many cities aim at a process of change to achieve a set of targets. Yet, many also fail; so it was envisaged to find out how did/do these cases each bridge this gap, i.e. how can excellence be achieved in local public management? This publication thus ultimately tries to address and analyse the collective-government approach of these cities that will enable the capturing of those 'pearls of wisdom' (i.e. drivers and enablers) that helped the local government succeed.

In this context, excellence in local public management can generally be understood and described as promoting and enabling innovation and improvement in **policy-making, practices and public service delivery**, and increasing public value in at least three different ways¹⁰:

1. Better methods for performing the core functions of public administrations.
2. Performance advantages that could be gained by abandoning a one-size-fits-all approach in favour of a tailored approach that encourages the adaptation and customisation of local governments' basic operational procedures to meet the demands of varied circumstances and clients.
3. New uses of public administrations' organisational capabilities by introducing new products and services that can be used to deal with different parts of their mission, or even to meet needs outside of their mission. This could be viewed as a strategic innovation in so far as it re-positions the organisation in its environment by changing the set of functions it performs and the services it provides.

While this work is predominantly addressed to practitioners, it can also be considered as a grounded theory work that locates itself in the mainstream of scientific studies sitting between the New Public Management (NPM) and the more recent New Public Governance (NPG)¹¹. As a matter of fact, on one hand, this study aims mostly to describe and interpret the key drivers of successful stories of 'good management' (NPM-like approach); but on the other hand, it ends up answering such NPG-like questions as: what organisational architecture is best-suited to delivering public services in the plural state? How do we ensure a sustainable public sector system? What values underpin public policy implementation and service delivery in such systems? What key skills are required for relational performance?

¹⁰ Moore, M.H., *Creating Public Value: Strategic Management in Government*, Harvard University Press, NB, 1997.

¹¹ Osborne, S.P., ed., *The New Public Governance. Emerging Perspectives on the Theory and Practice of Public Governance*, Routledge, London, 2010.

In summary, the overall objective is – again – to see the presented cases in the light of their specific starting points and their strategic decisions, which made them what they are today. The different practices showcase good examples of successful political and strategic decision-making on how to transform cities and achieve better service outcomes through sometimes rather small and project-based actions. The selected cases clearly show that cities with difficult background situations can – through clever prioritising, strategising and leadership – develop brilliant elements of public management work and thus deliver the set results.

THE EUROPEAN PUBLIC SECTOR AWARD (EPSA) AS A POWERFUL SOURCE OF CITY CASES

One powerful framework which rewards projects that address relevant European public challenges and are crucial drivers for change in the way public actors operate in the 21st century is the European Public Sector Award (EPSA) scheme. For each award edition, different theme(s) were identified that have addressed the respective challenges of Europe's public sector and thus promoted awareness of key dimensions of public value. The wide range of submitted projects provide an insight into the proactive approaches of hundreds of public administrations, who are facing the current challenges of cuts in public finances, climate change, rising unemployment, etc. The strong innovative impetus from the local level is demonstrated and confirmed both quantitatively and qualitatively. With 366 applications (almost 45%) out of more than 800 over the last three editions managed by EIPA, coming from the local or supra-local level, clear evidence is provided that innovation is close to the 'ground'. Moreover, five of the seven EPSA award winners from the 2009 and 2011 editions stem from cities/municipalities.

The good practices rewarded by the EPSA scheme – similar to other international award competitions and related publications/manuals¹² – offer and contribute to a faster adoption process for other public administrations. The knowledge-transfer capacity of EPSA applications is proven thanks to a wide range of follow-up activities and specific knowledge-transfer routes ensuring the extraction of lessons learnt in certain domains, a better understanding of the respective trends, as well as thereby generally providing a mechanism to match the demand with the supply. At a glance, the EPSA aims to encourage governments to modernise their administrative structures and practices and addresses the essential issues of administrative reform in Europe.

¹² E.g. UNDESA & UN-HABITAT, *A Guide for Transfer and Adaptation of Innovation in Governance. Practical Tools and Steps*, United Nations, New York, 2007. <http://unpan1.un.org/intradoc/groups/public/documents/un-dpadm/unpan046742.pdf>.

The seven selected city cases come from the EPSA knowledge platform. They have all been thoroughly assessed and are evidence-driven and successful in view of their innovation, impact, transferability, etc., as has been confirmed by various experts in the field. They are considered to be references and over the last two editions have been recognised and/or awarded by the scheme for their individual or collective public administration achievements; thus they can ‘modernly’ be called a ‘*City Excellence Cloud*’.

Figure 1.1: A ‘City Excellence Cloud’ coming from the EPSA knowledge platform



OPERATIONAL FRAMEWORK FOR ANALYSIS, SELECTION OF CASES AND LIMITATIONS

In order to achieve the set goals, the expert team at EIPA has searched for and developed a framework which has been inspired by, and thus tries to combine and integrate, elements and dimensions from various existing research frameworks. When developing this ‘own model’, the authors are fully aware that local authorities do not always have complete influence on the overall success of a city, since what happens in cities may not depend entirely on them. Nonetheless, in order to recognise and highlight the excellent performance of each city (as a whole), it was necessary to understand and attempt to identify the point from which the local entity has disembarked (the ‘picture’ at the starting point¹³): what were the priorities at that

¹³ When the term ‘starting point’ of each city story was defined, it was intended to refer to the moment in time when the city started the process of change and innovation, which the authors called the city’s ‘journey’.

moment in time, the several steps and actions pursued to meet the strategic challenges set; what are the results and what is currently being done to maintain – and even improve – its top status, i.e. the sustainability of its success story?

The conceptual and operational framework of analysis is structured around six thematic pillars, which intended to analyse the evolution of each city from a chronological and functional point of view. In this sense, the concept of ‘creative leadership’¹⁴ is paramount for understanding how these cities have become (so) successful. Creative leadership should – through stakeholders’ analysis, innovation and implementation – precipitate and enable internal dynamics of organisational change, linking strategies with strategic means through mobilisation of knowledge and relational resources. According to Healey and Magalhaes¹⁵, institutional capacity-building and institutional capital in the context of urban development and local governance focuses on the development of knowledge resources (intellectual capital) and relational resources (stock of trust among participants and the personal and professional relationships that are built), which lead to mobilisation capacity (capacity to act collectively), i.e. the innovative and political leadership dimensions of creative leadership. Through the three-fold ‘nexus’ of institutional capital, institutional capacity can be operationalised.

Creative leadership is based on the classical approach of strategic management described as a logical sequential process of:

1. **Strategy Diagnosis** (SWOT analysis);
2. **Strategy Development**;
3. **Strategy into Action** (organising, implementation, integration);
4. **Strategy Control**.

Furthermore, this frame also stresses the importance of strengthening leadership and management as a key factor for being able to manage (strategic) change. Improving management implies reconfiguration of the management system and, to a large extent, a power issue as well as the question of structural design (e.g. describing formal management roles and responsibility), management processes and relationships between internal and external factors.

In today’s cold economic climate and given the importance of control and monitoring (of the various visions/strategies/actions), as well as its linkage or alignment to financial performance and activities, specific ‘products’ in a public administration, such as strategic budgets, performance measurements or the application of a strict management control are of key importance to any local authority. It should be

¹⁴ Vanebo, J.O. & A. Murdock, ‘Innovation and Creative Leadership in Local Government’, In: Westernen, K.I., ed., *Foundations of the Knowledge Economy*, Edward Elgar, Cheltenham, 2012, and Selznick, P., *Leadership in Administration: a Sociological Interpretation*, Row, Peterson, Evanston, IL, 1957.

¹⁵ Healey, P., C. de Magalhaes and A. Mandanipour, ‘Institutional Capacity-Building, Urban Planning and Urban Regeneration Projects’, *FUTURA– Journal of the Finnish Society for Future Studies*, 18 (3), 1999, pp. 117-137.

remembered that these concepts sit between strategic planning and task control, but have a decisive influence on the results of the organisation. As Young and Padovani stress¹⁶, the management control process accepts the goals determined in the strategic planning process as given, and thus focuses on the (financial) activities needed to attain them. As such, it attempts to assure that the organisation's programmes are effective and efficient. Its information comes from the accounting system, which measures what has happened in terms of resource inflows and outflows; and from the programming and budgeting phases of the management control process, which measures should be taken.

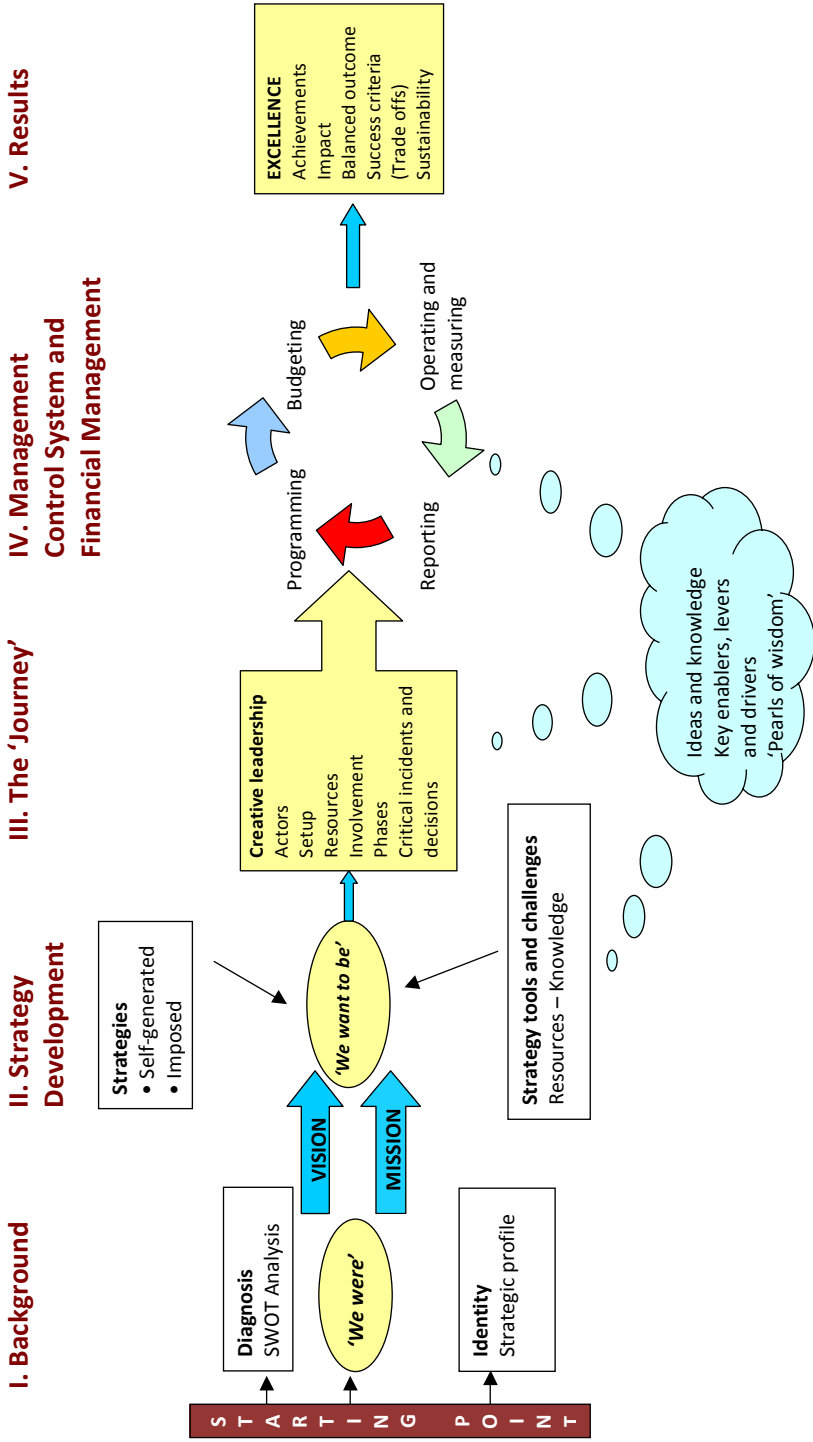
In a nutshell, the framework model for analysis and its logic is visualised in Figure 1.2, and further details are described in the subsequent sections.

As an additional explanatory note to the model, and following the definition of the **Background** (Pillar I), the second pillar describes in detail the **Strategy Development** of each city government, since holistic and integrated approaches can only be put into practice if clear visions, well-defined objectives and political commitment exist. While analysing the visions of each of the cities, consideration will also be taken of whether the strategies were imposed by external circumstances such as new legislation, or were pro-actively self-generated (top-down or bottom-up). This distinction is made in order to highlight different ways of arriving at sustainable and impressive achievements and to stress that a variety of starting points – some which may seem more favourable than others at the beginning – may lead to excellent results in local public management. **The Journey** (Pillar III) presents one of the main points of emphasis of the study. Different aspects like the organisation setup and architecture, the resources needed and used, dialogue with the various internal and external actors and stakeholders, as well as critical incidents will be examined in the implementation of the (change) process. It is especially in this section that the role of creative leadership plays a significant role for each of the cases, as the mobilisation of actors as well as steering of the change projects or programmes shows best the impact of individual or collaborative leadership exercised.

Finally and as underlined above, Pillar IV aims to screen the specific **Management Control System and Financial Management** of each city. The effectiveness of the management control processes in place will be examined taking into consideration different aspects like the totality of the system, its connection to the financial framework and integration with other systems, its rhythm and goal congruence of managers' interests with the overall goals of the cities. A good MCS – in principle – embraces all aspects of a local government's operations and seeks also non-monetary information on outputs in an effort to show what its programmes are accomplishing.

¹⁶ Padovani, E. and D.W. Young, *Managing Local Governments. Designing Management Control Systems That Deliver Value*, Routledge, London and New York, 2012.

Figure 1.2: The analytical framework of the 'City of Excellence' assignment



Source: Own elaboration; inspired by and adapted from both J.O. Vanebo and D.W. Young and E. Padovani.

It contains both a structure (e.g. financial and non-financial information, budget, reports, etc.) – financial framework – and a defined process (i.e. the sequence of programming, budgeting, operating/measuring, reporting, and feed-back/action) – a rhythm. To ensure a total system, senior management should also have access to information about all parts of the local government’s operations.

Finally, as a consequence of the prior, in the fifth pillar, the tangible **Results** achieved by the cities’ outstanding performance are portrayed before highlighting in the final pillar the **Innovation Power** – or ‘pearls of wisdom’ – inherent to each of the cases, i.e. the key enablers and/or drivers which made/make each city performance innovative, excellent, simply a success, or in other words what the city (case) has achieved and the major lessons learnt.

SELECTION OF CASES

It was clear that, regarding the scope of the present publication, it would be necessary to concentrate on a limited number of well-selected cases from the EPSA scheme. The following broad criteria were applied for their selection:

- **Participation and high-ranking position in one of the EPSA editions.** All seven selected cities have applied to either the EPSA 2009 or 2011 scheme. This fact guarantees a sound and strong empirical basis and evaluation of the cases from scratch thanks to the independent four-step evaluation process of the EPSA award. In this context, each of the cases was discussed and assessed in depth by at least three independent experts in the field of public management, who analysed the projects’ weaknesses and strengths in regard to pre-defined evaluation criteria. In addition, the majority were visited *in situ* for verification and validation, before being finally subjected to a jury judgement¹⁷. This process ensured that the selected cities have accumulated positive and important evidence, along with outstanding performances.
- **Geographic distribution of cities.** The cases have also been selected with a wide geographical scope in mind, representing the administrative cultures and systems of Southern Europe (Bilbao, Milan), the Anglo-Saxon system (Birmingham), Central Europe (Mannheim), the Baltic regions (Tallinn) and Northern Europe (Tampere and Trondheim). To this end, a good range of different European administrative realities is pooled in this publication, outlining several specific and often common challenges, but which are faced at the local administrative level with its particular nuances.

¹⁷ For a detailed description of the EPSA evaluation methodology, please see <http://www.epsa2013.eu/en/content/show/&tid=176#.UYp6YKK9nQQ>. Please note that the steps of the evaluation and assessment methodology are the same for the EPSA 2009, 2011 and 2013 editions.

- **Second-tier cities.** All of the selected cities – with the exception of Tallinn – belong to the group of so-called ‘second tier cities’, which are non-capital cities whose economic and social performance play an important role in their respective national economies. The decision to include Tallinn as a capital in this publication was taken since particularly in Eastern Europe capital cities still play an over-proportionally strong role in their national economies due to economic, historical, political and institutional reasons. Although in most European countries second tier cities do not contribute individually as much to the economic performance of their national economies as the capitals, recent findings – for example by the ESPON programme¹⁸ – demonstrated that they have a great potential, especially if looking at their collective contribution. Their share in the national economies could be even higher if they were given more financial and policy support tools.
- **Different focuses of the city practices.** An ample range of topics in the city chapters has been analysed in order to portray various areas of innovation and outstanding achievements in local public managements. This includes: comprehensive local business-change processes focusing on target- and outcome-orientation, benefits-driven transformation, and/or strategic budgeting (such as in Bilbao, Mannheim and Birmingham); rather exclusively tackled strategic and organisational change projects (e.g. Tampere); a strong sectoral focus such as in the case of ICT (in Tallinn) or the environment (Trondheim); or reform and change promoted by smaller, bottom-up projects (Milan).

RECOGNISED LIMITATIONS

The authors – also due to limited resources – are fully aware that this assignment has its limitations (in scope and focus). As initially stressed, the main aim of this publication is to examine and explain the ambitious journey the seven selected cities embarked on to become excellent, both in general and in concrete areas. This approach also denotes some limits. **Uniqueness of selected practices:** each of the selected cases is distinct in terms of the different administrative systems and cultures and regulations they operate in, as well as the difference in size and structure of the city. As a consequence, each city will have its own story since there was no obligation to provide the exact same level of detail, i.e. there is no need to artificially standardise the content of the report. In addition, this publication is not a study of comparative legislation, as the focus of analysis is on actions and results in reference to the chosen operational framework. **Voluntary nature of the EPSA scheme:** the seven best practices have been chosen from the EPSA 2009 and 2011 award schemes. As the EPSA scheme is, however, based on voluntary participation, the selection of cases does not claim to be exhaustive. It cannot be excluded

¹⁸ ESPON & European Institute of Urban Affairs, Liverpool John Moores University, *SGPTD. Second Tier Cities and Territorial Development in Europe: Performance, Policies and Prospects*, Scientific Report, Version 30/06/2012. http://www.espon.eu/export/sites/default/Documents/Projects/AppliedResearch/SGPTD/SGPTD_Scientific_Report_-_Final_Version_27.09.12.pdf.

that some (other) highly innovative cases/stories exist across Europe from local public management, which have not been taken into account for this assignment. **Cities in search of excellence:** it should be noted that the cases presented in this publication come from cities in search of excellence, which means that each of the portrayed cities shows several fundamental elements of excellence in the whole-of-government approach or in very specific areas, but that there may still be further improvements in other areas.

METHODOLOGY FOLLOWED AND FINAL STRUCTURE OF REPORT

This publication is one of several deliverables within the cooperation agreement between EIPA and the City of Bilbao, which was the overall EPSA 2011 Winner in Theme I '*Smart Public Service Delivery in a Cold Economic Climate*'. The city commissioned EIPA to undertake this assignment on local public management, in order to foster networking and contribute to the knowledge-transfer of its own best practices, whilst learning from other excellent experiences.

With this spirit in mind, from the start of this study a great emphasis was placed on having a close cooperation with the seven cities and their representatives in order to assure the accuracy of the collected information and data, its proper interpretation, a strong empirical focus, as well as a 'co-ownership' of its outcome. To this end, the seven city representatives were invited to attend the Kick-Off Meeting of the research assignment, which took place in Bilbao (ES) on 4-5 June 2012, where the research concept, the road map and milestones were presented, discussed and agreed upon. In order to collect the full information in relation to the agreed operational framework (Figure 2) a questionnaire was designed to support its fact-finding and information process.

Several field visits were carried out to gather further information and opinions from the city representatives involved in each city story in the period of autumn 2012. Finally, a working meeting took place in Mannheim (DE) in mid-March 2013 where the draft city chapters were presented and discussed, verified as well as validated. This process of data collection, together with the respective EPSA 2009 and 2011 applications, the seven Evaluation Summary Notes (ESN) from the EPSA assessment, the onsite visits and reports (if applicable), formed the main sources for the chapters.

The city chapters are organised in alphabetical order and focus on different areas of excellence in local public management. While the first three cases (Bilbao, Birmingham and Mannheim) are examples of comprehensive local business change, benefits-driven transformation and strategic budgeting, the Milan case demonstrates how the setting-up of a single small-scale project – the citizens' Complaint Desk – can turn into a driver for innovation, can generate spillovers and become a bottom-up source of inspiration for further and wider change in the whole local administration. The Tallinn city practice demonstrates how the prioritisation of a sophisticated e-Government system enhances transparency, and in turn citizen-oriented outcomes. Tampere is an

example of how the introduction of a new mayoral model and an innovative purchaser provider model enhances the city's responsiveness to citizens' needs and refreshes the relationship between the administrators and politicians. Finally, the case of Trondheim, which is the only city in this publication that is not affected by the economic crisis or budget cuts, exemplifies eco-innovation with its Green Partnership Agreement, a public investment package, and simultaneous innovative leadership and management structures to carry out the agreement.

Each chapter follows the same common template in line with the operational model for analysis:

1. Background
2. Strategy and Objectives
3. The Journey
4. Management Control System and Financial Management
5. In Search of Excellence
6. Innovation Power

In addition, at the beginning, some key factors and figures are highlighted (**City Portrait**), outlining briefly its administrative and institutional context as well as socio-economic structures in order to provide a better understanding of the environment in which each city operates, as the local governance structures vary substantially across Europe in view of different tier systems, the attribution of different competences to local levels regarding, for example, funding and regulation powers¹⁹.

After setting the scene for each of the city cases, the **Background** deals with the starting point of the quests for excellence and explains the specific challenges each city faced at the beginning of its journey, followed by the **Strategy and Objectives** as a response to the identified challenges. A simplified SWOT analysis identifies the helpful and harmful, internal and external elements which played a role for the strategy development. The sub-section about the **Journey** then goes into more detail regarding the implementation of the projects or programmes, the actors involved, communication structures used, etc. This is followed by an analysis of the cities' **Management Control System and Financial Management**, which starts with the general characteristics of the cities' financial structure, regulations and budgets for a better understanding of their varying financial realities. The readers will see that the MCSs vary in the different city cases, whereby some focus more on the financial measurement, while others have a stronger orientation towards targets. Section five lists and summarises the outstanding results (**In Search of Excellence**) achieved by each city in its pre-defined area of excellence. The final section, **Innovation Power**,

¹⁹ For more information about the different local government contexts in the EU and worldwide, see United Cities and Local Governments, *Local Government Finance: The Challenges of the 21st Century. Second Global Report on Decentralization and Local Democracy*, Barcelona, 2010. http://www.cities-localgovernments.org/gold/gold_report_2.asp.

then highlights the pearls of wisdom that can be drawn from the respective city case and its most important and innovative drivers and enablers. Although the structure of the chapters is identical, their size as well as the length of the individual sections varies based on the information provided by each city and their specific focuses.

The publication closes with a conclusive reflection about the seven journeys and common decisive elements or critical success factors in local public management, which have enabled these cities to live their very own stories of success. **Seven steps** leading to excellence are put forward by the authors and evidenced by the city cases.

'Do the difficult things while they are easy and do the great things while they are small. A journey of a thousand miles must begin with a single step.'

Lao Tzu, Chinese philosopher

POLITICAL MANAGEMENT BASED ON ECONOMIC STRINGENCY AND STRATEGIC BUDGETS

City of Bilbao



City Portrait

INSTITUTIONAL FRAMEWORK

The Spanish Constitution (1978) enshrines a decentralised or regionalised political and administrative system, where the different levels of administration are assigned different or shared competences. Spain consists of a central government, autonomous communities (regions), provincial councils, and municipalities.

According to the local authorities' legislation, the main competences of city halls are: (i) safety in public spaces; (ii) public transport; (iii) environmental protection; (iv) cemeteries and funeral services; (v) waste collection and sewage; or (vi) public leisure, tourism and cultural and sportive activities.

In this constitutional framework, Bilbao is the capital of the province of Biscay in the Basque Country region (north-central part of Spain). Its tax and financing system, similar to the one in place in the region of Navarra, is unique in Spain. Its main and distinctive feature is the ability of the three Basque provinces to raise and collect taxes, and then via a specific formula to compensate the Spanish central government for services provided such as Defence, Foreign Affairs or the Crown. The collection of taxes concerted corresponds to the Provincial Councils, which implies a financial flow to the General Treasury of the Basque Country as a contribution by each Provincial Council budget. The Biscay Fund participating in the collection corresponding to the territorial councils make up the so-called Municipal Finance Fund (called *Udalkutxa*). This system as a consequence provides a high degree of fiscal autonomy for the region and its municipalities.

The City of Bilbao has a Mayor-Council form of government, with both an executive branch and a plenum elected for a four-year term. The current Mayor, Iñaki Azkuna, was elected for the first time in 1999 and re-elected in 2003, 2007 and 2011 (governing in majority). The 29 councillors of the Plenum represent four political parties and are distributed as follows: Basque Nationalist Party with 15 seats plus the Mayor; People's Party (PP), six seats; Bildu, four seats; and Spanish Socialist Workers' Party (PSOE), four seats¹. The City of Bilbao consists of eight different districts, which are further divided into 35 neighbourhoods. It employs 2431 public servants (2012).

SOCIO-ECONOMIC STRUCTURE AND MAIN INDUSTRIES

Bilbao as the capital of the province of Biscay and a metropolitan area 'Gran Bilbao' with approx. 873,742 (2011) inhabitants at its services concentrates almost half of the population and economic activity of the entire Basque Country, 2,174,033 inhabitants (2011)².

In comparison:

Population (in 2011)

- Spain: 46,815,916³
- Basque Country: 2,174,033⁴
- Metropolitan Bilbao: 873,742
- Bilbao Municipality: 351,965

GDP per capita (as of 2008)

- Spain: €24,020⁵
- Basque Country: €31,514
- Metropolitan Bilbao: €29,953
- Bilbao: €30,572

The unemployment rate in Bilbao was for decades more favourable than in the rest of Spain (for instance it only figured at 8.8% in 2007); but now and in view of the ongoing economic crisis, it has reached a peak at 17.98% (third trimester 2012)⁶.

In the 1980s, the industrial sector in Bilbao represented 49% of the city's economy, while the services sector was calculated at 36%. In line with a global economic re-shaping in this period and the dramatic industrial crisis, the city was forced to reinvent itself. Today its tertiary-sector based economy amounts to 84.2% of GDP which has been

¹ See Bilbao's Local Government website, www.bilbao.net/Coporation.

² See EUSTAT. Basque Institute of Statistics, www.eustat.es/municipal.

³ See INE. Spanish Institute of Statistics, www.ine.es.

⁴ See EUSTAT. Basque Institute of Statistics, www.eustat.es.

⁵ See INE. Spanish Institute of Statistics, www.ine.es.

⁶ See Lanbide. Basque Employment Service, www.lanbide.net.

achieved through support to emerging sectors with a high level of R+D+I and focusing on industries such as energy, banking, cultural and creative, health, and education and universities. At the same time, Bilbao is home to numerous companies of national and international relevance, including two of the 150 world's biggest companies according to 'Forbes magazine', i.e. the bank BBVA and energy corporation 'Iberdrola'⁷.

BACKGROUND

During most of the previous two centuries the region was prosperous thanks to an industrial development led by the iron natural resources, steel and naval industry accompanied by maritime traffic, the port activity and construction of ships. Bilbao had been one of the most important industrial centres of the South-western Europe, but the depletion of the mining sector, the industrial reconversion and the closure of important corporations were unfortunately sufficient to plunge the city into a profound crisis and decline. The territory was left in a depressing situation – abandoned factories, labour conflicts, and a near 20% unemployment rate. Many stakeholders believed that it was necessary to put efforts into re-launching the industry, but the public administrations made a strong case for transforming the city into a services city by embarking upon a profound, and later well recognised, urban 'revolution'.

Following the needs of this 'new' city, an extraordinary urban transformation took place including the creation of the emblematic Guggenheim Museum as an international icon of the city and the epitome of Bilbao's revolution. During this period much changed in the city; for example, the port was moved outside the city, the water from the river was cleaned, a new airport and underground rail network were built, many neighbourhoods were reconditioned to the modern times, counting on – to this end – an internationally renowned team of architects (such as Frank Gehry, Norman Foster, César Pelli, Santiago Calatrava, Zaha Hadid, etc.). All of this reflects the investments carried out for the development of the city, investments amounting in the last eight years (2003-2011) to more than €1000 million from the Municipality budget. As a consequence, the city has been awarded several international prizes in recognition of its integrated and holistic approach to urban transformation.

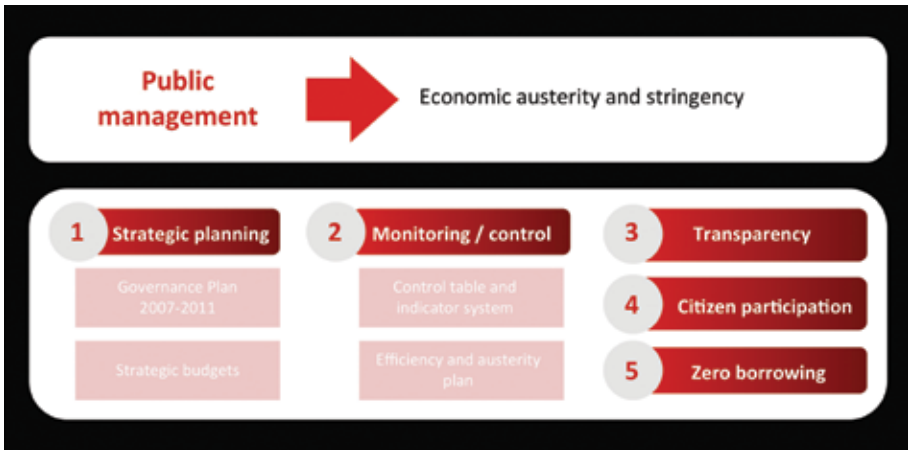
However, the current global economic crisis posed another great challenge to Bilbao's future, starting from mid-2000, when its economic circumstances reached their lowest point in 2009 with a negative (-4.4%) GDP evolution. To this end, in 2007 the City Hall – already wisely and with foresight – developed and embarked upon its flagship project, 'Political Management based on Economic Stringency and Strategic Budgets', to deal with these constraints and aiming at reducing the debt and managing its resources efficiently and effectively, whilst at the same time building the necessary avenues for the next decade.

⁷ See Forbes magazine. The World's Biggest Companies, <http://www.forbes.com/global2000>.

STRATEGY AND OBJECTIVES

The Bilbao City Council has designed a strategy based on economic austerity and stringency for its political management system. Such an approach is also replicated by other European administrations, especially under the current cold economic climate, with the aim to bring politics closer to public management principles by pursuing as a consequence a win-win deal for both parts. It aimed (1) to develop a strategic planning with the help of a Government Plan 2007-2011 and related strategic budgets; (2) to monitor and control it, through a balanced scorecard system and the implementation of an Efficiency and Austerity Plan; (3) to increase transparency at the City Hall; (4) to foster citizen participation; and (5) to attain – ultimately – a zero borrowing goal.

Figure 2.1: Bilbao's strategy, policy and action framework



To this end, the general objective of Bilbao was to design and steer a project for the future of the city, managing the available resources effectively and transparently in conjunction with the citizens and in response to their needs. This clearly supported the underlying vision of the city to become an international reference (once again!), as Bilbao's citizens feel they have been since its very creation and in the past.

In addition, Bilbao's mission included:

- Fulfilling the public commitments acquired;
- Increasing citizens' quality of life;
- Achieving efficiency in municipal management;
- Overcoming the deficit and pay off outstanding debt;
- Establishing ongoing channels of communication with citizens to find out their opinion and, thus, gain their support;
- Promoting citizen participation in the drafting of municipal policies.

In more concrete terms, each policy area as outlined in Figure 2.1 was subsequently converted into a more detailed set of objectives, such as:

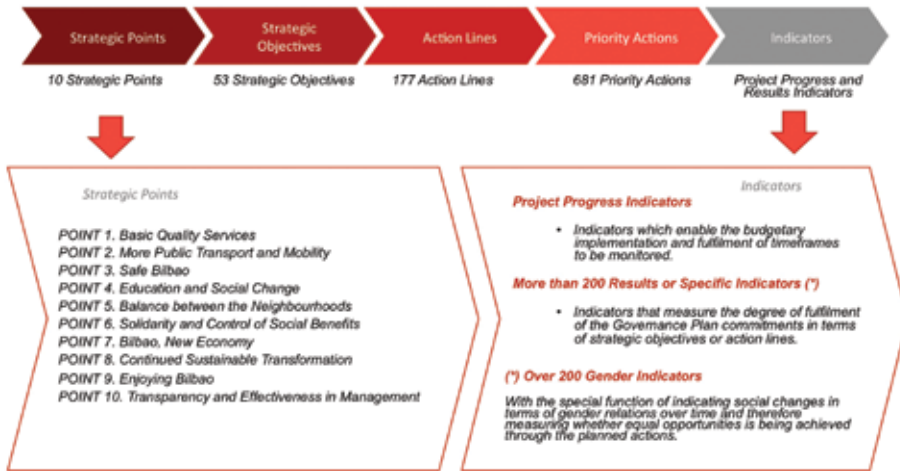
- Ad Monitoring and Control policy: to promote principles such as (i) effectiveness; (ii) responsibility; (iii) coherence; (iv) participation; and (v) openness and transparency.
- Ad Transparency policy: (i) to improve internal management; and (ii) to establish a constant communication and dialogue process with citizens.
- Ad Citizen Participation policy (*inter alia*): (i) to increase the recognition and improve the image of the Municipal Administration; (ii) to increase the effectiveness of the measures through the inclusion of citizens and social groups; (iii) to increase citizen involvement (commitment to common interests); (iv) to strengthen the democratic system; or (v) to obtain citizen support.

In Bilbao's strategy the role of the **Government Plan 2007-2011** was paramount, as it was the dynamic management tool that implemented the political Agreement signed by the political groups and designed by the new municipal team at the beginning of the term of office. It thus expressed in clear terms the transfer of political objectives (mandated and put forward by the citizens) into specific action plans, with their respective monitoring and control indicators.

Its main operational characteristics were: (i) it is an operational plan aimed at action; (ii) it is an extremely useful management tool to evaluate the level of fulfilment of the objectives for the term of office of each Department and the entire organisation in general; (iii) it defines the actions that will be carried out to fulfil the strategic objectives, establishing delivery timeframes for each action, defining the necessary budget and appointing the person responsible for each action; (iv) it includes the necessary monitoring of all actions; and finally (v) it shall be interpreted as a dynamic plan, as it is a living element for the organisation. In this context, the development of events arising during its implementation can lead to the proposal or modification of specific action lines.

The Government Plan 2007-2011 had **10 Strategic Axes** as well as a detailed subsequent breakdown of strategic objectives, action lines, priority actions and indicators as illustrated in Figure 2.2.

Figure 2.2: Structure of the Government Plan 2007-2011



This Government Plan was the result of the participation of all municipal departments and agencies, through workshops and meetings. It shows the City Council’s cohesion around a single project, with a common and transversal vision of all the challenges to be overcome during the mandate. In addition, certain needs and priorities expressed by the citizens through group dynamics were set out in the Plan from the beginning.

Finally, an incremental approach was selected and set to implement this ambitious change management endeavour, taking into consideration good governance principles such as smart communication both internally and externally, or a clear focus on general transparency.

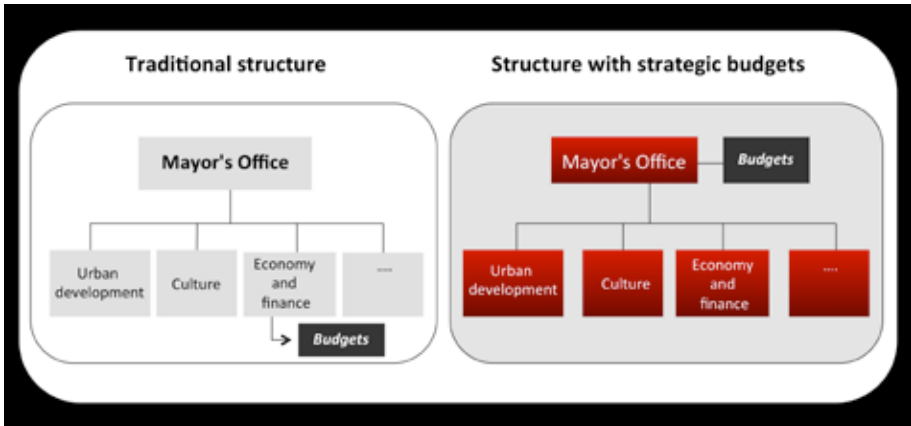
THE JOURNEY

Bilbao’s journey towards change and more efficient as well as better management of its public resources contained several interesting and remarkable elements. The city administration opted for and adopted a target-driven approach in which it aimed by using indicators to link the results with the strategy (objectives), as well as to align it with the people involved in the project. With the support of strategic balanced scorecards and the relevant political management indicators, a sophisticated management tool has been created.

What is striking from the organisational setup in Bilbao is that the budget responsibility is strategically located under the direct supervision of the Mayor and ‘in the hands’ of the CEO (*Consejero Delegado*) of the Town Hall, which ensures the requested alignment between the strategic objectives of the Government Plan and the city’s budget/finances. This differs from traditionally organised administrative organigrams.

The (line) Department of Economy and Finance does contribute with its technical and quantitative expertise and vision on budgetary matters, but the political management concept of the city decided that such an important matter as well as other related cross-activities would fall under, and thus be directly accountable to, the Mayor's Office, giving its top political priority to all the operations and a rigid control of its spending.

Figure 2.3: Municipal administrative structure with strategic budgets of Bilbao



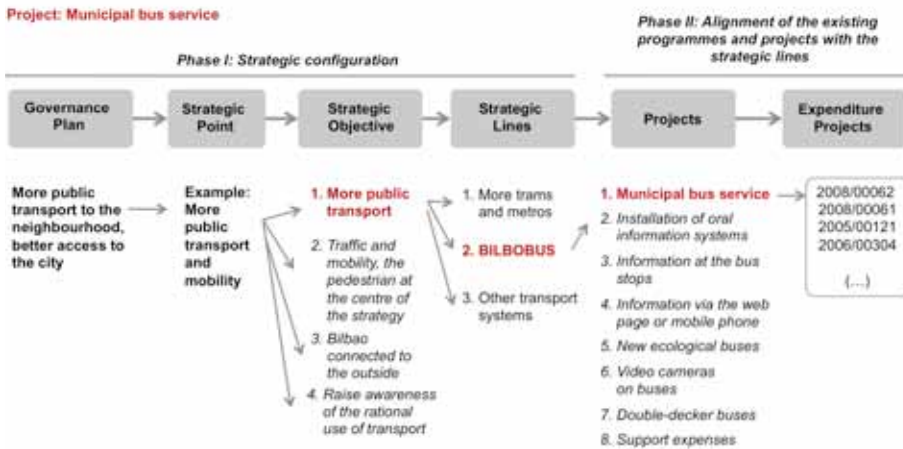
A decisive role in this architecture is naturally played by the Mayor himself. Being the overall political leader of the process, he was a key factor in continuing the initiated process of change and innovation. Due to his firm commitment to achieve a better city for all citizens of Bilbao, his prime concern was to be able to rely on a highly qualified government team, which plays a crucial role in transferring the political ideas and strategies into concrete actions. In other words, his political will is presented and communicated as well as translated by the CEO into the necessary line actions to ensure the corresponding results.

Once the Government Plan 2007-2011 was approved, the first strategic budgets were put in place in order to translate strategic objectives into budgetary commitments. This allowed inter alia that the subsequent budgetary negotiations were carried out based on strategic priorities rather than on an incremental basis. In addition, a system and set of indicators were established to monitor and control the progress made in the different strategic axes, objectives and lines of action.

Such indicators provided information and measured data on:

- Execution: degree of progress and implementation of the planned initiatives;
- Use: resources used related to the planned resources;
- Effectiveness: degree of objectives achievement;
- Efficiency: impact achieved in relation to the resources invested;
- Quality: gaps against the objectives/targets set.

Figure 2.4: An example of strategic budgeting in the field of 'Public Transport and Mobility' (Strategic Axe 2)



This system of close monitoring (and control) and in view of increasingly pressure on the public finances due to the emerging crisis allowed the Bilbao City Council – in time – to adjust the 2009 municipal budget and to adopt an ‘Efficiency and Austerity Plan’. These additional measures focused on maintaining and/or reducing spending, as well as trying to use the various municipal resources effectively and efficiently. For this purpose, an Efficiency and Austerity Committee (CEA) was set up for the preparation, coordination and monitoring of the municipal programmes that were specifically prepared for its adaptation to this situation.

This project was equipped by various resources. Firstly, a total budget for external consultancy amounting to €225,862 for the support of the Government Plan 2007-2011 implementation and its monitoring throughout 2007 and 2008 were released. In addition, the City Council also relied on external expert advisors (informatics, sociologists, financial advisors, etc.), who worked in multi-disciplinary teams to advise the administration on the delivery. Finally, technical resources were also deployed, so as to use and adapt management tools (e.g. SAP).

In general, the formula of partnerships among various types of stakeholders had a remarkable role in the City’s operations. The Bilbao City Council was able to join (large-scale) city projects with a wide range of both public and private organisations, creating a public-public and public-private culture and architecture in Bilbao. In this context, a flagship example was the Bilbao Ria 2000 Corporation⁸ which is a public enterprise chaired by the Mayor, and is one of the relevant agents in Bilbao’s

⁸ See Bilbao Ria 2000, <http://bilbaoria2000.org/ria2000/index.aspx>.

modernisation. Several actors such as the Spanish government, the Basque regional government, the City Council itself and others are sharing the responsibility and activities of Bilbao Ria. Metropoli-30 is another good example of a public-private association with the aim of planning, researching and promoting projects on issues such as the recuperation and revitalisation of the metropolitan area of the city⁹.

However, the main tasks covered and related resources were made available internally. For this, an internal communication plan was rolled out so that every stakeholder in the city was informed, accompanied throughout the process, as well as having access to the results in the fields in question:

- Communication of results by focal points, objectives and action lines;
- Monitoring of results at an Area/Department/Manager level;
- Budgetary monitoring;
- Fulfilment of the indicators of results.

In addition, several external communication actions such as a municipal website, presentations to the press, conferences, permanent contact with the media and with citizens were used to make the strategy known to a larger public audience.

In general, guiding principles such as openness, transparency and accountability were (and still are) crucial to Bilbao's journey and several measures and actions have been taken hereto.

For instance, the City Council of Bilbao entrusted the Department of Participation and the District Councils to promote and develop its own participation model for the citizens of Bilbao. One of its main action lines was channelled through the District Councils and Working Committees set up in the districts, in which representatives of the political groups and associations debate with each other in order to transform and improve the infrastructures and quality of life in their neighbourhoods. Amongst others, these Councils prioritise the investment for annual work and services in the districts.

To this end, the City Council paid particular attention to certain neighbourhoods of the city in which citizen participation was particularly required and thus promoted through the preparation of specific plans, such as, *Imagina Otxarkoaga* and a Special Plan for Bilbao *La Vieja*, San Francisco and Zabala.

With regard to the principle of transparency, a corner-stone in Bilbao's political management and actually a personal commitment (and interest) of the CEO of the Bilbao City Council, several initiatives of a permanent nature have been carried out, with the most important ones mentioned as follows.

⁹ See Metropoli 30, www.bm30.es.

- The Civic Council of the City of Bilbao which is a consultative and deliberative body in relation to the development of economic, strategic planning of the city. Its prime objective is to serve as a permanent institutional platform for dialogue and deliberation on questions related to the city and its future, establishing a space for joint reflection and strategic thought.
- Another example is the Neighbourhood Urban Observatory which can be considered as a framework and instrument for the analysis and diagnosis of the urban development and social situation of the different neighbourhoods of the city, providing a quick picture of the needs and demands in the neighbourhoods, which subsequently leads to greater agility in the decision-making and greater effectiveness of the city management in their tasks.

For this purpose, wide use was also made of the various ICT tools and application to keep up with the demands of today's (information) society and to support the abovementioned actions, for instance:

- a new online service processing portal (the new www.bilbao.net);
- social media (2.0) tools, e.g. the profiles of 35 out of 39 neighbourhoods are accessible on Facebook and Twitter;
- GIS web application in order to publish, visualise and allow consultation of geographically reference information;
- the newly designed city administration intranet called TADELKA (the Basque word for 'Working in Partnership') which provides fully transparent data and information of the cities operation for their public officials.

In summary, communication, consultation and general commitment played a very important role in Bilbao's change process and in making its political management project with strategic budgets, economic and austerity measures a reality. The City Council was aware from the beginning that the project could not be developed and delivered without the different stakeholders' general commitment (politicians, public professionals, citizens, enterprises and institutions). Bilbao had vast experience in this matter, since the deep transformation back in the 1980s clearly demonstrated that a two-direction communication (public administration - main key actors) constitutes a key factor to achieving the set objectives of such a process.

On the other hand, the motivation to continue the strategy and change undertaken came from a combination of the repeatedly stressed political leadership, a social structure that affected the maintenance of decisions and public-private partnerships, as well as the pride of (citizens) belonging to Bilbao. In the latter sense, there has always been a strong identity and pride in being a citizen of Bilbao, which constituted (and remains) an intangible value and which has led to the enthusiasm needed to undertake the crucial changes the city had to face, to overcome and ultimately to reach the desired tangible outcomes.

In this context, the fall in revenues due to the global economic situation in the described years was one of the main obstacles – a critical incident or risk for the development and implementation of the project and in the wider sense the entire city. Thanks to the holistic approach of its strategy and operations and wide backing among the various stakeholders, the City Council could launch the required extraordinary (efficiency) measures to limit and reduce spending whilst at same time ensuring the effectiveness in achieving the overall goals and maintaining the quality of its public operations. In a nutshell, Bilbao’s journey does not seem to have reached its full speed or end: its continuation is predictable and based on these consolidated (solid) public management grounds.

MANAGEMENT CONTROL SYSTEM AND FINANCIAL MANAGEMENT

The City of Bilbao has managed to introduce and establish a very good and integrated management control system in which all necessary ingredients and information (monetary and non-monetary) as initially explained are available, following a timely pattern and structure.

The municipal budget is made up of the following items:

- Incomes:
 - Direct taxes (such as immovable property transfer tax, tax on mechanically powered vehicles, capital gain, etc.)
 - Indirect taxes: works
 - Fees: garbage collection, water, etc.
- Assets
- Resources coming from other public administrations: e.g. EU Funds, Spanish State, Province of Biscay.

Whereas the revenue from assets is currently experiencing difficult times and the resources from the European Union are also moving more towards the ‘east’ (or in other words, from a high net-receiver the access to funds is becoming more competitive), the City of Bilbao still enjoys a privileged financial situation compared to other municipalities in Spain, since 60% of the income comes from the tax collection carried out by the provincial government of Biscay, which exercises the financial supervision of the local authorities in the territory. The same applies with regard to the accounting system of the municipalities which are governed by rules established by the Government of Biscay within the jurisdiction on aspects according to the regulations of the Basque Economic Agreement.

It was in 2004 when the procedure (‘the rhythm’) to elaborate the annual budget was changed for the first time. The preparation phase was democratised, so that every municipal area participated in the budget preparation based on a draft strategy. In the beginning, their programmes and provisions were discussed on a technical level as well as aligned to the overall strategy and later concluded in discussions with the Mayor’s Office on the political focus. In this context, every department takes

the decision to begin or end new programmes, but strategically it is the Mayor's Office responsibility to start, to continue or to end any programme or project. Once a decision is taken this is translated into a breakdown of concrete expenditures for each strategic line, project, etc.

See (again) the example on 'Public Transport and Mobility' (Figure 2.4).

Figure 2.5: An example of strategic budgeting ('Public Transport and Mobility', Strategic Axe 2)

Strategic Line	Project	Area	Expenditure Projects	Expenditure Chapter	Description of the Expenditure Item	Total
BILBOBUS	Municipal Bus Service	Traffic and Transport Division	2007/00061	Chapter VI	EQUIPMENT FOR INFORMATION PROCESSES	160.000,00
			2008/00060	Chapter VII	TRANSFER OF CAPITAL TO OTHER PRIVATE COMPANIES	30.000,00
			2008/00061	Chapter IV	CURRENT TRANSFERS	296.925,00
			2008/00062	Chapter VI	OTHER INVESTMENTS FOR GENERAL USE	1.600.000,00
			2008/00080	Chapter II	TRANSPORT CONTRACTS	500.000,00
			2005/00121	Chapter VI	INFRASTRUCTURE AND URBANISATION	50.000,00
			2005/00121	Chapter VI	TRANSPORT ROLLING STOCK FOR PUBLIC SERVICE	150.000,00
			2005/00121	Chapter VI	EQUIPMENT FOR INFORMATION PROCESSES	16.000,00
2005/00121	Chapter VI	RESEARCH, STUDIES AND PROJECTS	100.000,00			
(...)						

The standard timetable of the budgetary cycle in Bilbao starts in July, with the preparation of the annual budget based on the previous year's budget. Each area sends to the Budget Direction a list of actions or programmes for the next year to be charged on a common System Application Programme (SAP). In the following months, discussions with the Mayor's Office are held and sometimes meetings are carried out in order to reformulate and decide upon the actions that must be executed. In October, the Basque Finance Board meeting takes place – this is when the Board of Directors approves the draft budget. Finally, in November, the political groups submit the budget and then there begins an official period of 15 working days after the budget appears publicly in the Biscay Official Journal and where everybody may then put amendments (this is unique, in other institutions it does not work this way). To this end, citizens may amend the budget, although the reasons for doing so are fixed and it is not common for this to happen. At the end of December the budget is expected to be finally approved.

Within this cycle and its operations, all types of financial information are available and reported, not only to the managers or personnel in the City Council, but also to all citizens in Bilbao¹⁰. As a consequence, managers have in a transparent way, accurate

¹⁰ See Bilbao's Transparency Website, www.bilbao.net/transparenciamunicipal.

and timely information (financial and none-financial) from the internal management control process for monitoring performance planning and forecasting. The SAP system used by the City Council allows the budget execution to be prepared and monitored on a daily basis, since the data is entered into the system permanently and is thus available to those staff members with economic competence to check the specific information they desire. A key component of the system is the introduction of a transparent and automated system of incoming claims (ensuring a quickness of handling the respective cases) as well as tax collection ‘a la carte’ for their clients (citizens and businesses). This results in a balanced and liquid (financial) system for the city administration. For the same purpose, the ERP Perseo expense file management system is also installed which provides the execution reports, etc.

This sound system enabled Bilbao not only to have a permanent overview in terms of resource inflows and outflows, but also to pay its providers in the current economic harsh climate in ca. 35 days (the Spanish average is 160 days¹¹) in 2011, which is below the new state law on this issue with a reference of 60 days¹².

In addition, in 2013, for the first time the budget was calculated based on the **zero-based budgeting** approach. Due to the crisis situation, this method allows to discriminate and evaluate closely which strategic projects are more interesting or of priority to be implemented than others.

IN SEARCH OF EXCELLENCE

Bilbao has received many international prizes for the regeneration of the city and its public/political management approach, such as the European Urban and Regional Planning Awards (2004 and 2006), the Lee Kuan Yew World City Prize (2010) or the Lively Communities Award (2011), not to mention the EPSA 2011 Award winning recognition. More recently, Bilbao’s Innovative Management Model has been recognised through its Mayor Iñaki Azkuna, who was awarded in January 2013 with the ‘World Mayor Award 2012’, conceived by the City Mayors Foundation¹³. It is thus a bold example of how excellence can be achieved and what needs to be done.

Their main achievements can be divided into three areas and are evidenced in a spectacular way, i.e. a.) a positive economic-financial situation in the local administration; b) completion of emblematic projects for the city; and c) an increase in municipal transparency.

¹¹ See European Payment Index 2012, *El plazo de pago de la Administración pública sube a 160 días*, published by Cinco Días on 29 May 2012 http://www.cincodias.com/articulo/economia/plazo-pago-administracion-publica-suba-160-dias/20120529cdscdieco_1.

¹² Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, which establishes measures to combat late payment in commercial transactions.

¹³ World Mayor 2012, www.worldmayor.com.

- **Bilbao City Council’s positive economic-financial situation:** Bilbao today faces a favourable and positive economic–financial scenario based on the various efforts made by the City administration over the last 10-12 years. It has repaid heavy municipal borrowing (€200 million in 1999) via several difficult measures and adapted the City to its real expenditure capacity.

Naturally, the recent economic crisis led to a widespread increase in public deficit and borrowing in several European countries, of which Spain¹⁴ was unfortunately no exception. In this context, Bilbao was the provincial capital with the least debt (amounting to only €3.94 million in 2009) and reached its peak in financial terms in March 2011 when the Bilbao City Council’s outstanding debt was paid off, making the city the only large Municipality at a national level that was debt-free.

Figure 2.6: The impressive evolution of financial data in the Bilbao city administration



As a consequence of the austerity policy initiated by the administration, Bilbao also approved a draft budget ‘adjustment’ for 2012 with a reduction of 5.35% in spending in order to maintain this zero debt target – apparently an ‘obsession’ by its leaders.

In this same context, the budget performance of the city, i.e. how the planned resources – income and expenditure – have been met and executed, are close to 100% (e.g. the income budgeted has been executed at 101% in relation to the

¹⁴ Total municipal borrowing at a national level stood at €28,770 million in 2009.

definite provisions). The new political management model applied contributed significantly to these results.

- **Completion of emblematic and public value projects for the city:** For the 2007-2011 term of office the investment volume (€640 million) has doubled from that of the previous period (€387 million for 2003-2006). Emblematic projects such as the Alhóndiga, the Campos Theatre, the Bilbao City Council's new headquarters or Bilbao Arena Sports Palace have been completed. In other words, a total investment stemming from public finances in the last eight years amounted to over €1000 million.

In parallel, the administration carried out in 2010 a total of 57 extraordinary actions to improve the quality of life of the city in terms of economic, social and environmental sustainability, with additional public investment of over €38 million. Bilbao City Council has also launched seven special plans to promote accessibility, improve life in the neighbourhood and connections with the centre. Uribarri Goikoa is a good example of an accessibility improvement between the centre and landscape by the use of public transportation. The upgrading and regeneration of the so-called 'upper neighbourhoods' of Bilbao has been another of the priority actions. In addition, and in order to offer their citizens a better opportunity to enjoy green areas without the need for cars or long-distance travel, Bilbao has developed and extended its 'Green Belt' to over 1,340,000 square meters of recreational areas and spaces equipped with picnic areas, children's play grounds, fountains and other services.

- **Increased municipal transparency and acknowledged change efforts:** The results in transparency policy can be equally showcased. Following a citizens' survey on their perception of the future of Bilbao in general, and the municipal public management in particular, 90% of the population have a good or very good opinion on the quality of life in the city. A total of 61% of (interviewed) citizens consider that Bilbao has improved over the last few years and 64% are of the opinion that it will further improve in the future. One of the most significant data of this 'city-climate-check' is the positive acknowledgement of Bilbao's citizens and businesses towards the public management during this city's transformation, where 22% rated it as favourable. The results of this is based – and as already stated previously – on the several communication actions and an open dialogue and information culture introduced by the administration which brought them also to the top positions (1st in 2008, 2nd in 2009, 1st in 2010 and 1st in 2012) of the International Transparency Index applied for Spain.

Based on this, in terms of good governance principles, political leadership, etc. to the benefit of its citizens, Bilbao's transformational change can be classified as a highly and internationally recognised public ('business') case consolidated and sustained, although not free of new (emerging) challenges and priorities. The current focus is concentrated on the following issues: (i) development of strategic projects that allow for the competitive position of the city to be achieved

and maintained; (ii) guaranteeing high-quality services and attention to citizens; and (iii) maintaining an attractive and lively city from a business perspective.

Especially the latter is becoming the new key challenge since the raise in unemployment has not left the city behind; current figures show a 17.98% unemployment rate in the third trimester 2012¹⁵ and the related disappearance of businesses amounts to a reduction of 3.97% in 2012 or 1355 companies fewer compared to the previous year¹⁶.

With its new Government Plan 2011-2015, including 10 new strategic axes and the respective objectives, actions and budgets, Bilbao aims to face this big priority and with a favourable public finance situation to transform economic development into new job opportunities¹⁷.

Finally, some other – non-minor – challenges Bilbao is tackling with the same confidence and ‘ingredients’ such as the global competitiveness, are the need for even more increased efficiency within the City Council or the ability to keep leading and generating consensus around such a flagship project.

INNOVATION POWER

The case of Bilbao contains several innovative elements, but perhaps the most important one is their specific approach to political management itself. The case addressed public concerns on several key topical issues which are pressing across Europe, and especially in major urban areas facing the impact of global economic changes. Managing a budget without debts (moreover, repaying debts) is probably the number one topic on the agenda of European public organisations. This project provides an example of this being achieved.

**Budget
responsibility
dependant on
the Mayor’s
office**

Budget design and calculation is not placed in the (often typical) Economic and Finance Department of the City Hall, but directly with the Mayor. This allowed not only for the highest political support of the actions, but also to gain – ultimately – ‘political profitability’.

¹⁵ See Lanbide. Basque Unemployment Service, <http://www.lanbide.net>.

¹⁶ See EUSTAT. Basque Institute of Statistics. Municipal Information, <http://www.eustat.es/municipal>.

¹⁷ See Government Plan 2011-2015, [www.bilbao.net/Corporation and Government/Government Plan 2011-2015](http://www.bilbao.net/Corporation%20and%20Government/Government%20Plan%202011-2015).

<p>Bold political leadership</p>	<p>It is a bold example of political leadership with grassroots support focused in place to secure objectives and benefits for a city using the resources of a range of effective partnerships with agencies, as well as private and other voluntary organisations. This should be an average step of planning and management, but is seldom found in practice.</p>
<p>Government plan and strategic budgets</p>	<p>High level of investment and service delivery could be maintained also in times of economic constraints. Bilbao's performance is highly innovative by linking the Municipality budget directly to strategic objectives, followed by strategic operations and with a close monitoring. This project linked public service development and delivery to regeneration in an exciting and practical manner.</p>
<p>High level of investment execution</p>	<p>Bilbao had a very high level of investment execution, which is not only concentrated on actions related to industry (the classical economy in Bilbao), but to the new economy (knowledge, R&D, Information Society). In this context, Bilbao was able to convert its economy from an industry-based one (from 49% to 27%), to a services-based one (from 36% to 84.2%).</p>
<p>Smart forms of public-private partnerships</p>	<p>The close cooperation between public and private agents can be considered as one of the driving governance keys in Bilbao. Such a permanent partnership and involvement have allowed the city transformation to be accelerated and amplified. Furthermore, this partnership has enabled a long-term shared vision and an increased business sponsorship¹⁸.</p>
<p>Citizen participation</p>	<p>Several actions allowed a consultative framework for the citizens in this process, which increased recognition as well as improving the image of the public administration. In addition, it strengthened the democratic system and the city administration also obtained the necessary support and trust for their actions from the citizens or businesses.</p>
<p>Extensive ICT deployment</p>	<p>Technology played an important role, especially relating to the internal implementation of different tools to achieve the defined objectives (e.g. administrative modernisation) and to communicate or publish information for the wider audience.</p>

¹⁸ Clark, G. et al., *Organising Local Economic Development, the role of development agencies and companies*, LEED OECD 2010 p. 277.

CHAMPS2 – A BRAVE AND HOLISTIC BUSINESS TRANSFORMATION

City of Birmingham



City Portrait

INSTITUTIONAL CONTEXT

The United Kingdom is a country and sovereign state. The form of government is a constitutional monarchy with a parliamentary system. England, Scotland, Wales and Northern Ireland are also regarded as countries, though not individual sovereign states, with Scotland, Wales and Northern Ireland having devolved self-government. Her Majesty's Government has legislative powers and substantial control over local government via financial powers and grants. The low degree of financial autonomy of local governments is also demonstrated by the fact that only about 25% of their budgets comes from local sources¹. This is also shown by the City of Birmingham with only 25% of revenues coming from local taxes and service fees in 2011. Up to three layers of elected local authorities (such as County, District and Parish Councils) exist throughout all parts of the United Kingdom, in some places merged into Unitary Authorities. All have limited local tax-raising powers.

The local administrative level in England is divided into county councils with the competences of education, social services, transport, strategic planning, etc. and district councils with competences like local planning, housing, waste collection, etc., with the exception of the City of London and the Isles of Scilly. Additionally, unitary authorities (single-tier administrations) exist in which administrations are

¹ Localis research Limited and Ernst & Young , *Can Councils live without the Formula Grant?*, 2010, p. 2. http://www.localis.org.uk/images/Localis_formulagrants_WEB.pdf.

responsible for all areas of local government. In that context, Birmingham has the status of Metropolitan Borough, which means that, since a government reform in 1986, it exercises the combined tasks of counties and districts.

The Birmingham City Council is composed of 120 Councillors (three Councillors for each of the City's 40 Wards, each serving a four-year term of office), one of whom is elected as Leader, normally for a four-year term of office. The Leader and all Councillors meet together as the council. These meetings are normally open to the public. Here Councillors decide the council's overall policies and set the budget each year.

The Leader appoints the Executive, the Cabinet, which has as its main role, the task of developing and implementing policy on behalf of the council. Apart from the Cabinet, the Executive is comprised of Cabinet Committees, Cabinet Members, District and Ward Committees.

A number of Overview & Scrutiny Committees monitor the decisions of the Cabinet and the implementation of policy. They can also recommend policies to the Cabinet and council. They allow citizens to have a greater say in council matters and are consulted by the Cabinet on developing policies.

Key decisions are made by Cabinet; non-key decisions are made by District and Ward Committees or by officers in consultation with Cabinet Members. The work of the council is supported by the paid service/administration – the officers. The Chief Executive Officer is in charge of all Council employees and works in cooperation with department heads. A total of 41,544 civil servants worked for the Birmingham City Council in 2013.

The Lord Mayor is elected annually by the council. Lord Mayor, as the 'First Citizen of Birmingham', is an apolitical role, attending civic and ceremonial functions and chairing the council meetings.

Political composition of the council (2013)

Labour Councillors	77
Conservative Councillors	28
Liberal Democrat Councillors	15

SOCIOECONOMIC STRUCTURE AND MAIN INDUSTRIES

With a population of over 1 million and an economic output of £18 billion (approximately €22 billion) per year, Birmingham is the regional capital of the West Midlands and the UK's second largest city, with an ever-increasing international standing. Birmingham has the youngest profile of any city in Europe with 37% of the population being under 24 years of age; it is also the second most ethnically diverse population in Europe, with

one third of the city's population coming from ethnic minorities. Its strategic location and good national as well as international accessibility favour further growth.

The West Midlands region has historically been dominated by manufacturing. For more than two hundred years Birmingham has remained the UK's largest manufacturing and engineering centre, contributing billions of pounds to the national economy every year. In the 1970s manufacturing accounted for almost half of the city's employment. However, the recession in the late 1970s led to mass unemployment in Birmingham. Whilst UK employment in 2005 was nearly 20% higher than in 1971, employment in Birmingham was nearly 20% lower. Nevertheless, the motor and transport industries have always played a significant role in the economy. Besides housing two of the largest car manufacturing plants in Britain, namely, MG Rover and Jaguar, Birmingham also accounts for a large share of UK's exports.

The reduction in manufacturing jobs (fewer than 56,000 in 2006, which is a decline of 80% from its peak in the mid-1960s) led to the City Council's strategy to redevelop the city centre as a regional centre for commerce, and to promote it as a destination for business tourism. These sectors are the main employers in the city today. Moreover, there is an expanding creative industries' sector which boasts over 3400 businesses representing 10% of the city's total number of firms. Therefore, Birmingham nowadays has a workforce of over 484,000 employed across a wide range of sectors.

Besides this, the city is continuing to diversify its economic base, attracting investment from new science- and technology-based industries, as well as being a designated Science City and a Digital City. Birmingham has a strong education and learning base represented by three major universities with a total of 65,000 students. Moreover, it has developed into one of the most important centres for scientific (especially for nanotechnology) and medical research (presently cancer research).

Birmingham also attracts over 42% of the UK's total conference trade. With venues like the National Exhibition Centre and International Convention Centre in its lap, the city conducts some of the most esteemed international shows such as Moda, Motor Show and Nepcon every other year. The city further boasts of Europe's second largest insurance market and two of Britain's 'big four' banks.

BACKGROUND

Back in 2005/2006, Birmingham City Council was facing a wide range of pressures and challenges to improve the way in which it functioned.

Birmingham's transformation is set in a wider UK context where successive central governments have been keen to realise the benefits of greater online service delivery and utilisation of ICT in driving efficiency and public administration reform ('e-Government'). However, in order to meet the abovementioned challenges of responding to citizens' needs, focusing on technology alone was not the answer. A new initiative emerged called 'transformational government' that encompassed broader change including cultural and organisational changes, and putting an emphasis on integrated, citizen-centric service with more active participation of citizens in service delivery.

There have been increased financial pressures on UK local authorities, requiring continued vigilance in reducing back office costs, in order to protect and invest in frontline services. Since approximately three-quarters of local government revenues are provided by central government grants, changes or cuts at the central level have a drastic impact at the local level. Locally, the controlling administration's desire to see council tax rates remain low has provided extra impetus in this regard. There has also been a growing awareness among local authorities that they can make service delivery more 'joined up', and that back office processes can be smarter and more effective in helping to drive service improvements and the overall customer experience.

At the start of the transformation programme, there were several performance issues. For instance, the customer satisfaction rate was between 50% and 60% and staff surveys identified numerous areas for action, including that change at the council was not well managed. The council had poor visibility of financial data, it only managed to pay two-thirds of invoices on time; and customers had difficulty getting in touch with them, with a plethora of phone numbers and contact points, leading to poor first-time resolution of queries and low customer satisfaction rates. Moreover, a national inspection regime which rated all local authorities on a scale of one to four 'stars' classed Birmingham as a one-star council, with uncertain prospects for improvement.

In terms of the citizens the council serves, a third of the city is comprised of minority ethnic communities, some of which have difficulty in accessing the full range of public services to which they are entitled. In common with other UK and EU cities, Birmingham faces the challenges of responding to an ageing population, but conversely, Birmingham is the youngest large city in Europe, presenting a different set of service design challenges at the opposite end of the spectrum.

The sharp decline in manufacturing jobs explained in the 'City Portrait' and high unemployment rate of 10.1% (2006) presented a strong push factor for a reorientation of Birmingham's economic portfolio. Creating a strong post-industrial economy driven by a range of sectors including knowledge, technology, research, science and local services will therefore be key for Birmingham's future development.

STRATEGY AND OBJECTIVES

The abovementioned challenges were wisely reflected in the community strategy ‘Taking Birmingham forward’, which mapped Birmingham’s development vision for 2001-2010 and was revised in 2005². It set the context and direction for other sectoral plans and was jointly developed by the ‘Be Birmingham’ partnership comprising the Birmingham City Council and partners from the business, public, community, voluntary and faith sectors. The main vision formulated in this plan established Birmingham as:

- a city of national and international significance, which has a successful and sustainable place in the world economy;
- a city whose local neighbourhoods and vibrant urban villages are flourishing and whose people benefit from its prosperity.

The Council Plan 2005+ translated this overall vision into actions and targets to be carried out by the Birmingham City Council, focusing on the three objectives of ‘Investing in improvement’, ‘Improving Services – Aspiring for Excellence in all our Services’ and ‘A City of Vibrant Urban Villages’ and related sets of priorities. These strategic and operational plans laid down the basis for the comprehensive and ambitious ten-year business transformation programme over the period 2006-2016.

When designing the business transformation process, the goals and priorities, the following simplified analysis of strengths and weaknesses was taken into account.

Figure 3.1: Simplified SWOT for transformation initiation (part 1 Internal origin)

	HELPFUL (to achieving the objective)	HARMFUL (to achieving the objective)
Internal origin (attributes of the organisation)	<ul style="list-style-type: none"> • Engaged and ‘hands on’ political leadership • Good relationship between administration and politicians • Leadership’s ambition and vision • Wealth of business knowledge among council staff 	<ul style="list-style-type: none"> • Risk averse culture • State of ICT infrastructure • Insufficient capacity and capability to support a large scale business change • Size of organisation and number of people affected. • Lack of collaboration between different departments (‘silo’ mentality)

² The current long-term sustainable community strategy ‘Birmingham 2026’ shapes the development of the city until 2026, with the aim of delivering a better quality of life in Birmingham. The areas tackled by this strategy are economic opportunities, safety, a green and clean city, health, quality of life and active citizenship. Similar to its predecessor, it provides the overarching framework for sectoral strategies and the current medium-term Council Plan. Alongside this, the ‘Big City Plan’ is a 20-year vision to support the transformation of the city centre.

Figure 3.1: Simplified SWOT for transformation initiation (part 2 External origin)

	HELPFUL (to achieving the objective)	HARMFUL (to achieving the objective)
External origin (attributes of the environment)	<ul style="list-style-type: none"> • Government change initiatives: e-Government, transformational government • Public service reform • Trends within public sector: shared services, commissioning models • Interest from private sector to partner with the council 	<ul style="list-style-type: none"> • Ever increasing financial pressure from central government • Running a ten-year transformation programme in a changing economic climate • Change of political administration

The overarching vision of the transformation journey was:

- Improved service delivery to customers;
- Improved job satisfaction for council employees;
- Efficiency savings.

In concrete terms, the Birmingham City Council’s transformation aims were:

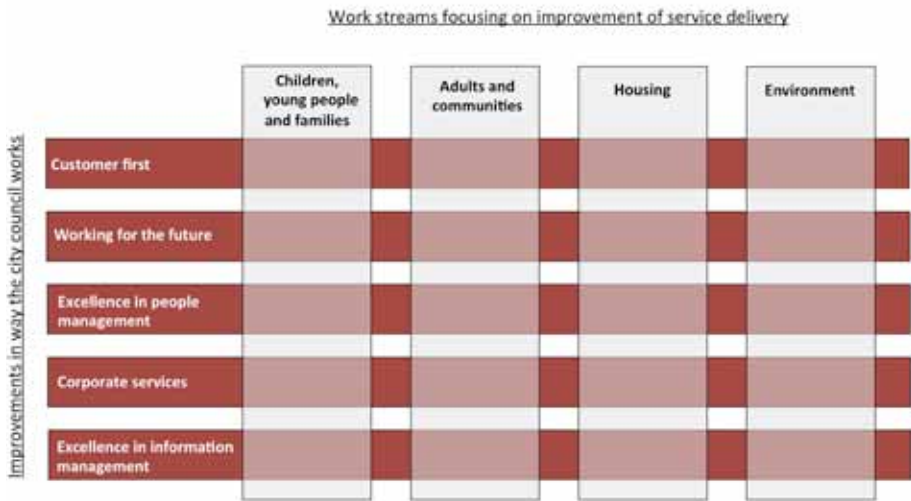
- Customers saying they are satisfied or very satisfied with Birmingham City Council services being in the top 10% of all UK local authorities.
- Staff saying they are satisfied or very satisfied with working for Birmingham City Council being in the top 10% of all UK local authorities.
- The number of queries/requests that are resolved or dealt with at first point of contact being in the top 10% of all UK local authorities.
- The council will achieve an excellence rating.
- The council will achieve a 15% productivity gain over the lifecycle of the programme.
- 100% of service requests and service tracking available on a personalised basis, through whichever method the customer chooses to contact the council.
- 75% of all service KPIs (Key Performance Indicators) in top 10% of UK local authorities.

In order to ensure that the three strategic aims (customers, employees, efficiency) would be achieved, a business transformation programme was developed which was structured into nine work streams, each of which was further structured into a number of projects. This programme has been based on the **CHAMPS2 methodology** (Change Management for the Public Sector)³, which was developed in-house and with the help of the joint venture between Birmingham and the leading UK outsourcing company, Capita.

³ See www.champs2.info.

The programme was designed to realise over £2 billion (€2.32 billion) of benefits over 10 years, out of which £1.57 billion (€1.83 billion) was cashable (delivering better services for less cost), the remaining savings were non-cashable (delivering higher volumes or better quality of services for the same cost).

Figure 3.2: Birmingham business transformation work streams



THE JOURNEY

Birmingham’s ambition was to achieve a dramatic difference for customers and employees as well as realising significant savings. Such a steep change could not be achieved by applying small improvements within current operations, but with a transformational change of the council. Therefore, the change had to be radical and comprehensive. In other words a vision-led approach was required. To achieve the vision a new operating model was needed that would improve all aspects of the business, including processes, organisation structure (people) and technology.

The motivation to embark on such a comprehensive change journey came from the most senior people involved in the change process: the Deputy Leader Paul Tilsley⁴ (the second most senior politician in the council), the Chief Executive Officer Stephen Hughes, and the Corporate Director of Business Change Glyn Evans. The most importance aspect was that the Deputy Leader was the overall promoter of the programme and was actively engaged throughout.

⁴ In May 2012, there was a change of administration, though Councillor Tilsley retains a senior Member position as Leader of the Liberal Democrat Group.

These three key individuals ensured that the organisational focus on the transformation programme was maintained, particularly during the early years when significant costs were being incurred but benefits were yet to be realised. Having committed the investment to the transformation journey, it was essential to see it through to reap the rewards; otherwise the financial outlook would have been bleak in the extreme.

The starting point for transforming the services were questions such as: If you were creating this service now, what outcomes would you be looking to deliver? What measures would you use to be able to know you've achieved those outcomes? How would you design your service to realise those outcomes?

The transformation was based on a borrow-to-invest model; with improvements in services generating efficiencies that paid back the upfront costs. The overall investment in business transformation was £683 million (roughly €780 million).

The decision to set up a public-private-partnership to support the technological and human resource aspects of the transformation process was taken early on because of the insufficient capacity and capability to support a large scale business change (see SWOT analysis Figure 3.1). Following a two-year process, Capita, a leading UK outsourcing company, was selected and the strategic partnership 'Service Birmingham' was launched in 2006, with ownership split two-thirds to one-third (Capita to Birmingham). The partnership was the biggest outsourcing project of local government services in Europe in 2006 and remains the backbone of the council's strategy⁵.

The objective of this joint venture was to deliver the council's day-to-day and transformational technology and to enhance resources, skills, support and expertise to deliver the ambitious business transformation plan.

Once the partnership had been established a comprehensive support mechanism was put in place to create the right environment for change, comprising:

- transformation governance (set-up of the management and leadership structures) to direct the programme and maintain control over the investment;
- the development of journey management as part of the governance structure to coordinate work streams and manage dependencies between the work streams, e.g. identifying occurrences of double counting of benefits, ensuring the alignment of all work streams;
- the Centre of Excellence for business transformation to provide guidance on best practice in change management;
- central PMO (Programme Management Office) to provide standard project management tools and facilitate reporting;

⁵ Smith, M., *Birmingham's 10-year plan: how to save £1bn*, published by the Guardian on 20 July 2011. <http://www.guardian.co.uk/reshaping-services/birmingham-10-year-plan-save>.

- CHAMPS2 business change method to provide a detailed pathway and a common language for all work streams.

Subsequently, some of the council services have been moved to ‘Service Birmingham’, such as the Corporate Contact Centre and the Revenues Service.

CHAMPS2: THE ESSENCE OF THE BUSINESS TRANSFORMATION

CHAMPS2 is a vision-led, benefits-driven business change method that approaches change management holistically and in the right order, across organisation (people change), business processes and technology. It is used by Birmingham City Council to support the management and delivery of the entire end-to-end change process.

The CHAMPS2 journey is split into eight phases, which are carried out for each of the work streams:

Figure 3.3: CHAMPS2 methodology



Phase 0 – Transformation Initiation

Leaders of the organisation determine the strategic need for change, and formulate the strategic outcomes, indicative costs and funding opportunities, which are documented within the Strategic Business Case.



Phase 1 – Visioning

The potential operation of the business in the future is explored. It will be described in the Vision and the Future Operating Model. The Strategic Business Case is developed into an Outline Business Case at the end of this phase which sets out the required transformation.



Phase 2 – Shaping and Planning

Whilst the previous phases identified the objectives of change, this phase defines the programme that will achieve them. A Full Business Case is produced at the end of this phase based on measurable benefits/outcomes.



Phase 3 – Design

This phase develops the detailed design of the solution that will be documented in the Design Blueprint. The Full Business Case is revised now that more is known about the solution.



Phase 4 – Service Creation and Realisation

During this phase, the detailed design is converted into tangible products such as job descriptions, procedures or IT applications and the whole solution is thoroughly tested.



Phase 5 – Proving and Transition

This phase contains acceptance testing by the business, followed by transitional activities to prepare the business for going live, such as training or setting up infrastructure. At the end of this phase the solution goes live.



Phase 6 – Stabilisation

Phase 6 seeks to stabilise the solution, optimise all elements of its performance and ensure the new ways of working are fully adopted by the business. Early benefits may be realised within this phase.



Phase 7 – Benefits Realisation

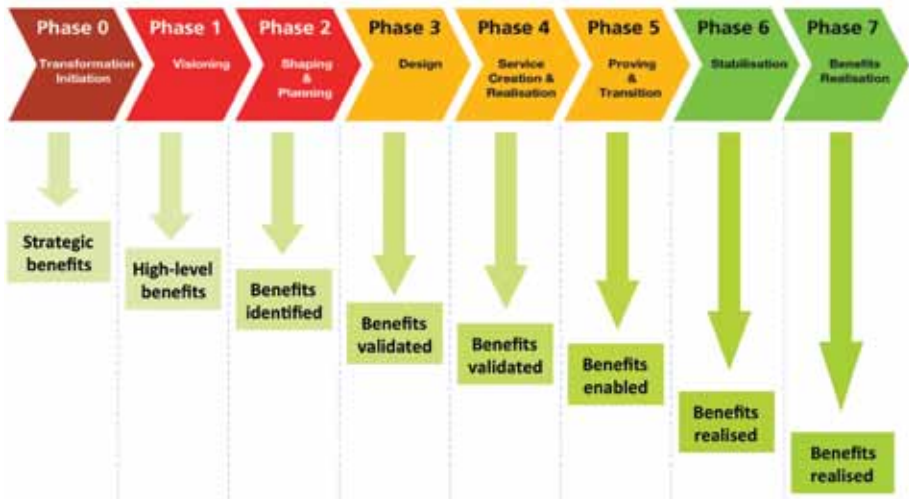
This is the final phase, which ensures that the benefits are actually achieved and are sustainable. Any improvements to the solution must be in line with the overall Vision and support benefits realisation.

The budget for each work stream was allocated on the basis of a sound business case, which demonstrated the equation of business benefits versus cost and the viability of the whole project. Each business case had to be approved by the Cabinet before the work stream could commence. This ensured the political control and alignment of the transformation process. The funding would then be gradually released by a Programme Board, who would oversee the progress, acting also as control gate at various stages during the phases.

The success was measured by a series of measurable benefits/outcomes, which were identified at the beginning of the journey, repeatedly validated throughout the journey and at the end, enabled by the implementation of new processes, technology and organisation structure. Each benefit was document on a Benefit Card, which had to be signed by a Benefit Owner. A confidence factor of, for example, 60% or 90% of accuracy, was assigned to the benefit calculation at different parts of the journey. Each benefit followed a four-stage lifecycle: Identified, Validated, Enabled, Realised. Only when it had been demonstrated that the new ways of working had made a difference, were the benefits confirmed as ‘realised’.

Benefits are measured by comparing the data both before and after the transformation. This comparison is managed via a Benefits Realisation Plan which ensures that the appropriate evidence is collected at the right time for this purpose.

Figure 3.4: Benefits-driven change

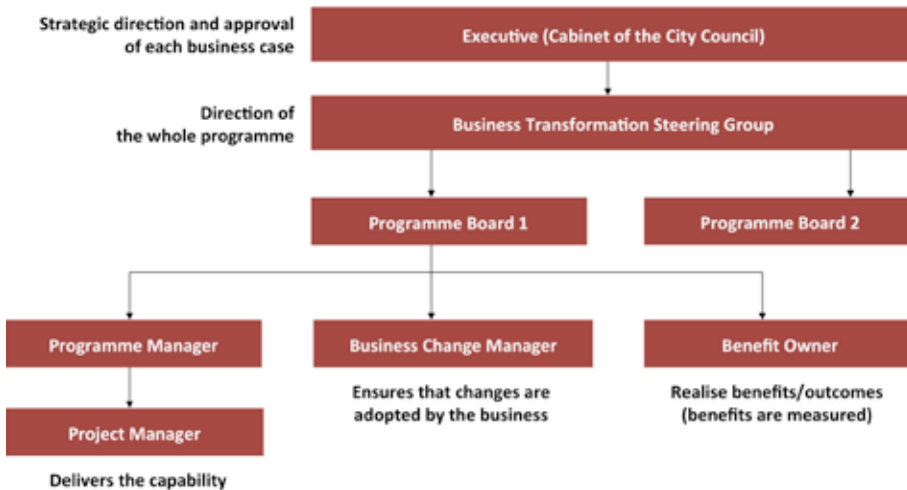


The governance arrangements of the nine programme work streams were specifically designed to foster collaborative decision-making. The general joint strategic oversight and overall coordination of the transformation programme was secured by a corporate group, the Business Transformation Steering Group, chaired by the Chief Executive and attended by the Deputy Leader and by senior departmental managers and programme board leads.

Each work stream had its own programme board with representation across all major stakeholder groups. For example, in projects that cut across departmental boundaries, each department was represented by a senior manager. The programme boards were accountable to the council's Cabinet (the political decision-making body), and led by a representative from both the Cabinet and the corporate management team (senior director-level managers) to ensure that the programme reflected the political objectives of the council. In order to maintain senior-level buy-in and to encourage attendance, each programme board was only considered quorate if at least one of the two leaders were present.

This collaborative governance style was chosen in order to counteract the 'silo culture' of single departments (see SWOT analysis, Figure 3.1) and to ensure shared and sustainable commitment across departments and the City Council.

Figure 3.5: Business transformation governance



From the onset of business transformation, all aspects of the programme have seen extensive efforts to engage with internal audiences to help manage the organisational culture change necessary for embedding the transformation. This included, amongst others, consultation on job changes involving trade unions to ensure compliance with mandatory periods of notice.

In addition, external communications have helped to ‘promote’ the case for transformation as well as showcasing the many successes of the programme. Examples of the extensive communication activities are the set-up of a business transformation Expo, road shows or model walk-in centres where citizens and external organisations got in touch with politicians and officers for information and experience of the transformation change.

A change process of the scale of Birmingham requires the involvement of a large number of people in programme teams and a sound management structure to guarantee the safe delivery of the programme. Therefore, programme staffing resources needed to be dedicated exclusively to the programme and taken away from operational functions. Moreover, programme/project management is different from operational management and requires specialist skills, across team members and managers. Hence, the programme teams and management have comprised external specialists coming from Service Birmingham (joint venture between Birmingham City Council and Capita) and council staff released from their day job to work on the programme. In this way, their knowledge, skills and understanding are combined to focus on the redesign and improvements in service delivery. The different posts required for the programme management are:

- Programme managers who are responsible for delivery of each work stream and managing dependencies between projects within work streams.
- Project managers who are responsible for project delivery, risks and issues.
- Business change managers who prepare business areas for the change (for example, ensuring processes have been accepted and training is in place, assisting with data migration and so on).
- Benefit owners who ensure that business benefits (outcomes) are realised and kept track of. In the case of financial benefits it will be a budget holder from the area responsible for releasing the cash.
- Benefits realisation board which oversees benefits across the organisation, ensuring that the aims are realistic, well-defined and the potential gain from benefits is maximised.

Moreover, customer focus groups were formed with the purpose of identifying customer needs and to integrate their feedback into the work streams.

The main risk during the journey was the sheer scale of transformation to be delivered in an environment which is traditionally change-averse. For instance, each of the nine programme work streams consisted of multiple projects which required a high level of coordination. Also due to the timescales of some of the work streams, there was a danger of losing perspective over an extended period of time and strong leadership was therefore required to keep the momentum. This risk was minimised by the sophisticated corporate governance structure uniting representatives from the corporate management team and senior politicians from the Cabinet and the establishment of dedicated programme teams combining external specialists and Birmingham employees.

The political environment naturally posed a risk with several potential changes of administration within the lifetime of the programme, such as the change of the Deputy Leader role from Paul Tilsley to Ian Ward in May 2012. Paul Tilsley provided strong leadership from the start of the change process. In view of such changes in political administration, it was crucial that the transformation programme was based on a series of sound business cases that withstood the test of time (see the eight phases of the CHAMPS2 methodology, Figure 3.3).

Moreover, the economic climate continues to be a risk, with central government continuously increasing the demands on local authorities to make additional savings, thus affecting the scope of business transformation.

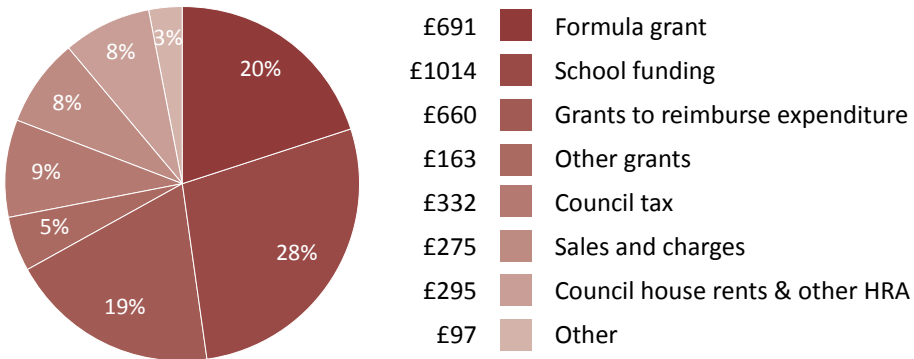
MANAGEMENT CONTROL SYSTEM AND FINANCIAL MANAGEMENT

The centralised state system of the UK has a crucial impact on the distribution of local governments' income, especially in comparison to other European countries. The majority of Birmingham City Council's income comes from central government grants, with only 9-11% coming from local council tax payers during the last six years,

whereas this share amounts to between 50% and 85% in almost all other developed countries worldwide⁶. The council is therefore heavily affected by any reductions in government grants.

In 2011/2012 Birmingham managed a budget of £3527 million (roughly €4 billion).

Figure 3.6: City of Birmingham's budget break-down 2011/12



The council does not have full freedom to decide how to spend this money because much of it is given by the central government as ‘ring-fenced’ grants or has other statutory constraints. The government guarantees minimum levels of funding will be provided for education and funds this through specific school grants. The government also provides a large proportion of grants to reimburse the council’s expenditure on specific items such as housing and council tax benefit. The Formula Grant (based on a calculation of the council’s needs and resources) can be spent on any services as decided by the council. Other grant funding streams allow the council to spend money in accordance with its priorities.

In addition Birmingham City Council makes significant use of Prudential Borrowing to fund some of its priorities, such as Business Transformation, the Library of Birmingham – a flagship project which will be Europe’s largest public library, Special Care Centres and many smaller scale service priorities. Prudential Borrowing is a UK scheme that offers local authorities flexibility in their planning and the ability to borrow for capital, providing they can sustainably afford the revenue consequences. The general policy is to repay borrowing within the expected life of the asset, typically 20 years. Overall, Birmingham’s long-term debt nearly doubled between 2005 and 2011, reaching £2504.6 million (roughly €3000 million).

⁶ Localis research Limited and Ernst & Young, *Can Councils live without the Formula Grant?*, 2010, p. 2. http://www.localis.org.uk/images/Localis_formulagrants_WEB.pdf.

The current austerity measures imposed by the central government and changes to central grant allocation will lead to a reduction of government grants for Birmingham by £332 million (roughly €380 million) up to 2016/17. At the same time, the cost of services will increase due to inflation, changing demands, etc. by £273 million (roughly €310 million), which means the council needs to save £600 million over six years (roughly €690 million).

Options to make savings through further efficiency gains are now being explored to stabilise Birmingham's financial resources. For that purpose, a number of service reviews have been launched, either in areas that were not in the original scope of the transformation programmes or areas that could be improved post-transformation. Another option being discussed at the moment is to increase council taxes.

As explained in the introductory chapter, an efficiently and effectively designed management control system (MCS) embraces all aspects of a local government's operations. Birmingham's business transformation programme shifted the emphasis from transactional information to management information to support better decision-making across the whole organisation, thus embracing the totality of all operations. This shift has strengthened the strategic budgeting, financial management and performance management. In addition there is now more comprehensive information available on customer requirements to enable more effective service delivery.

For example: The council's integrated reports provide information on revenue, capital and service performance in a single view. This enables the council to allocate resources more efficiently and make earlier, better decisions on where and how the budget is spent. The council now has a greater ability to balance its budgets and avoid considerable council tax increases for citizens.

Another improvement is the single view of customers' payment records, helping to reduce bad debt and the impact on other taxpayers. Improvements have also been made on the provision of monthly performance reports for Cabinet and the executive officers. Some quarterly performance reports for Cabinet are also made available to citizens.

In order to align goals across all levels of the council, performance indicators and performance development reviews have been introduced that involve all council employees. A number of incentive schemes have been implemented, including performance-related pay and the Chamberlain award that recognises both individual and teamwork achievements. There are also workshop-based initiatives that encourage a 'can-do' culture among employees, based on the core behaviours known as B.E.S.T (Belief, Excellence, Success and Trust).

To ensure alignment of all change projects with the corporate strategy, Birmingham developed a strong corporate governance structure and adopted a benefits-driven approach to change, based on predefined targets that demonstrate the positive differences to be achieved by the change. This approach is further supported by the process of benefit realisation, which attributes responsibility to specific members of staff (benefit owners) to ensure that benefits are achieved.

The unifying core of the MCS is the financial planning and budgeting functions, which are an integral part of the outcome-based planning framework (based on the outcomes for Birmingham's citizens) and are directly related to the Council Plan. There is increasing emphasis on Value For Money (VFM) drivers within the budgeting process, which involves looking at the priorities of the council and mapping them against the outcomes that services deliver, along with their levels of VFM. Since May 2010 a Cabinet Member has been appointed with the specific responsibility for Finance. This has strengthened the executive focus on effective financial management and value for money. The council's Audit Committee provides regular independent assurance to the council on financial management, risk management and control. In addition, directorates continue to monitor their financial and activity performance (including the delivery of efficiency savings) on a regular basis⁷.

The council's financial year follows a 12-month period between 1 April and 31 March. Legally, the City Council's budget must be agreed upon at a meeting of the full council before 10 March prior to the year for which the budget is being set. The budget process follows a timetable which includes the drafting of the budget and budget finalisation, based on reports of external factors and forecasts. The process also includes wide stakeholder consultation across public and voluntary sectors and special interest groups. Furthermore, the council has a statutory duty to consult business rate-payers. The consultation is conducted in the form of online surveys, community meetings, employee briefings, People's Panel meetings, Trade Union consultation and the council's service areas consulting directly with their customers. There is also a budget blog and web-chat delivered by the council's chief executive. The finalisation phase runs between December and February/March. The results of the consultations are discussed and the business plan including the budget is finally debated and agreed upon by Cabinet.

The consistency of financial and non-financial data and performance management processes is enabled by the use of the Voyager financial management system, whereas the People Solutions HR system manages all human resources-related information. Furthermore, a Performance Management System is in place which provides a comprehensive 'dashboard' view of the performance against defined targets and objectives.

In conclusion, Birmingham's MCS is holistic, built on strategic and performance-based budgeting, which is also capable of measuring and monitoring financial and non-financial targets and outcomes effectively and efficiently.

⁷ Birmingham City Council, *Independent Review of Service Birmingham*, 2012: <http://birminghamnewsroom.com/2012/12/independent-review-of-service-birmingham/>.

IN SEARCH OF EXCELLENCE

Birmingham's ten-year transformation programme started in 2006 and is still ongoing. While some work streams are already bringing significant benefits, other work streams are only just starting. 'Corporate services transformation' has already ended, 'Adult services' and 'Customer First' transformations are coming to an end, while 'Environmental programme' is at the beginning of its journey.

The financial years 2010/11 and 2011/12 represented a critical period during a decade-long journey, when the annual savings delivered from transformation exceeded the annualised costs.

Overall, the programme is still on track to deliver over 95% of intended benefits, with net cashable benefits of roughly £900 million (roughly €1000 million) expected to be realised. As at 2011/12, the business transformation programme was making a net contribution of £44 million (roughly €50 million) to the council's revenue budget, which was expected to rise to £96 million (roughly €110 million) by 2014/15.

Some of the major achievements of the business transformation are displayed in Figure 3.7.

Figure 3.7: Major achievements of the business transformation

Item	Starting point	Achievement
Customer satisfaction regarding council service	59%	85%
Customer satisfaction with the contact centre	N/A	95%
Invoices paid on time (within 30 days of receipt)	ca. 40%	96%
Purchasing via contracts with suppliers	20%	83%
Purchase order compliance	70%	96%
Staff paid by performance	N/A	99%
Recorded staff performance development reviews	27%	99%
Customer enquiries resolved at first point of contact	43%	73%
Agile working target	17%	Exceeded in refurbished buildings: 25% agility achieved at Lancaster Circus building, 30% agility achieved at Lifford House
Council homes at decent standard	37%	93%

- **Transformation of services around customers' needs:**

The business transformation also had tangible, positive benefits for customers. Generally speaking, services are defined around customers' life events, e.g. birth, retirement, death, with seamless service provision so that customers do not need to be concerned about which specific council departments are involved. The majority of queries are resolved at first point of contact and customers can track their queries online. A single telephone number for the council has replaced more than 400 existing numbers.

The information and advice available to people has also been improved significantly as customers are now 'signposted' to services. Furthermore, 14 neighbourhood offices have been refurbished and a new customer service centre has opened.

Some services have been transformed and some new services have been introduced, like the individual budgets for social care that give citizens greater choice about their own care needs, or the enablement service to help eligible people over 65 regain old skills or learn new skills to live as independently as possible at home. The choice-based lettings service puts customers in control when they are looking for a new home and is another example of new services.

- **Flexible and agile working opportunities and improved systems:**

The positive changes that affected employees include flexible and agile working opportunities, a self-service facility within the Human Resources system and improved working environments in new or refurbished office buildings. Better tools to facilitate their jobs have been introduced, such as the Voyager system that integrates the council's financial and operational performance management processes, or the Customer Relationship System.

- **Sustainability and continuous improvement thanks to CHAMPS2:**

CHAMPS2 was designed with sustainability in mind, not only regarding the processes and the city transformation (for example via introducing the realisation of benefits), but also in terms of availability of the knowledge and experience resulting from designing and implementing the methodology. Since 2008, CHAMPS2 has been freely available nationally and internationally, via its website www.champs2.info. The site currently has a global online community of around 2000 registered public and private sector users, encouraging learning and transferability across organisations and sectors.

The fact that benefits are tracked by the benefits realisation process and are not 'forgotten' at the end of project means that there is a continuous focus on taking advantage of new processes, technology and other enablers, rather than slowly drifting back to the old ways of working.

Following the transformation programme there will be continuous improvement across all areas of the organisation, triggered either by external drivers such as legislation or technology upgrades, or internal drivers such as further streamlining

or automating processes, or improving quality. To ensure that continuous improvement does not jeopardise the realisation of benefits, the proposed changes are assessed to determine whether they contribute towards the transformational vision and support benefits realisation.

Although there were significant, successful achievements from the transformation process, the journey was not always smooth and there were some less positive outcomes. For instance, the scale of Birmingham's transformation and increasing efficiency targets extended beyond back-office savings. Some staff were redeployed to other job roles and there was a reduction in staffing levels of approximately 9000 employees between 2011 and 2013. These staffing reductions were achieved by a combination of voluntary and compulsory redundancies and natural staff turnover.

Another example is the Children's Services transformation, which involved a number of successful pilots that demonstrated the benefits of prevention and early intervention approaches. However, there were challenges in embedding these pilots into live operation due to emerging child protection matters in the existing service that naturally needed to take priority. One conclusion from this experience is that services need to be reasonably sound before they can be fully transformed.

A recent comprehensive review of the joint venture between Capita and the City Council, conducted by an independent advisory company, confirmed the partnership's significant value in the provision of several core services. Areas in which the council have received particularly good value for money outcomes include ICT, adult social care and the revenues function. The review also acknowledged that it would be more beneficial to strengthen the working relationship than to disengage from the partnership. This can be achieved by addressing and strengthening areas such as 'commercial trust', performance management processes and contract management. Moreover, areas such as the performance of the Contact Centre and project management are generally considered adequate but could achieve greater value for money (in the case of projects) or a stronger perception of value for money by the City Council (in the case of the Contact Centre). The review identified priority areas requiring action and implementation in 2013 covering the Contact Centre affordability, project initiation and delivery, cost reduction, a review of the birmingham.gov website, and improvements in project and action plans⁸.

⁸ Birmingham City Council, '*Independent Review of Service Birmingham*', 2012: <http://birminghamnewsroom.com/2012/12/independent-review-of-service-birmingham/>.

INNOVATION POWER

The most important factor in Birmingham's innovative and successful transformation can be attributed to the design and application of its systemic and systematic methodology, CHAMPS2. The CHAMPS2 method is recognised as a best practice leader in change management with the development of a rigorous framework of Foundation and Practitioner qualifications, offered through APMG-International, a global examination institute and accreditation body. The methodology can be of great benefit and inspiration to other municipalities and organisations within and beyond the UK, which presents a tremendous added value.

Birmingham's lessons learnt and 'pearls of wisdom' are, therefore, strongly related to this business transformation process.

The Birmingham case has demonstrated that if the aim of change is a positive, dramatic difference for customers and employers as well as the achievement of significant savings, it is worthwhile undergoing a radical transformation process, which yields the highest benefits. Real transformation can only be achieved if actions and processes are carried out with the full commitment of the whole organisation. However, services have to be reasonably sound before they are reformed, as experienced with Birmingham's Children's Services transformation.

The case of Birmingham also demonstrates that ICT enables change, but is not the sole solution. Successful change must be approached holistically, incorporating new ways of working and embedding culture change, resulting in improved service delivery, customer satisfaction, employee morale/motivation and financial savings.

Birmingham's innovation power is demonstrated in the table below.

CHAMPS2 transformation methodology	
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	CHAMPS2 has been central to Birmingham's success story as it has provided the golden thread that has linked the definition of outcomes at the start of each transformation project to their final realisation. It provides a consistent change management approach, combining best practice, tools and templates, complemented by a quality management framework. It is flexible and adaptable, enabling it to be applied to business change initiatives of any scale and level of complexity. CHAMPS2 therefore enables information sharing, learning and innovation, which means not only having great ideas and a strong vision, but also having the tools and techniques to turn them into reality.
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The key benefits of using the CHAMPS2 methodology are:

- Reducing risk of business transformation.
- Common approach and single language.
- Repository of best practice, avoiding re-inventing the wheel.
- Focus on outcomes rather than just outputs.
- Leaders getting greater visibility of progress and greater control.
- Programme teams benefiting from detailed guidance.
- Opportunity for staff to gain formal qualification in change management, either Foundation or Practitioner level.

**Strong
corporate
leadership,
cooperative
governance**

Structuring the programme into a number of work streams is necessary for a manageable approach for a large scale transformation. However, work streams tend to become overly focused on delivering their own objectives to the potential detriment of the overall change programme. Birmingham managed to apply an innovative solution to this coordination challenge by securing strong corporate leadership and establishing an effective cooperative governance structure.

Firstly, Birmingham managed to successfully obtain high-level political support for the transformation programme by ensuring that politicians fully embraced the objectives and were involved in their development. Thus, the promotion of the programme was ensured by the overall active engagement of the Deputy Leader, especially in the starting phase. The collaborative transformation governance structure, which involved representatives of all major senior political and officer stakeholders in steering bodies and decision-making like the Business Transformation Steering Group of the Programme Boards, is innovative.

For instance, the dual leadership structure of high-level officers and politicians on the Programme Boards presents a well-thought through and collaborative solution, which created visible and continuous support from both the political and executive side. Moreover, in the case of cross-department areas, stakeholders from all involved departments are represented in these boards.

The fact that the programme boards are only quorate if at least one of the leaders is present, is an effective element to guarantee senior-level support.

Careful planning and resourcing for successful transformational processes

The careful and in-depth analysis as well as thought-through decisions in the planning phase of the change process essentially contributed to Birmingham's success. This is illustrated by Birmingham's preparation phase of two years, in which different business change models were analysed and compared, and in which the decision to form the joint venture with a leading outsourcing company were made.

Moreover, the successful business transformation of Birmingham exemplifies the need to get the resourcing right. The set-up of the work streams outside the department structures and the partnership with Capita assured the dedication of personnel for their project who are not distracted by operational issues.

Effective control and performance measures

The usage of the benefits lifecycle as in the case of Birmingham is an innovative example for ensuring that the programme makes a difference, both in financial and non-financial terms. There is a focus on benefits throughout the whole transformation process and they are tracked through the four stages (Identification, Validation, Enabling and Realisation). They are only declared realised when they are actually measured or proven.

CHANGE² IN THE CITY OF SQUARES

City of Mannheim



City Portrait

INSTITUTIONAL FRAMEWORK

The administration of the Federal Republic of Germany is organised in three levels: the Federation (*Bund*), the Federal States (*Länder*) and the Municipalities. Administrative activities lie mainly in the Federal States (e.g. with powers in education, science, culture, public security, environmental protection) and the districts, cities and communities perform their tasks under the supervision of their respective regional governments. This supervision is checked and balanced by the concept of 'self-rule' of municipalities guaranteed in the German Basic Law (Constitution), building on the tradition of 'free imperial cities' in medieval and renaissance Germanic Europe. German municipalities also dispose of a relatively high degree of financial autonomy. For instance, in the case of Mannheim, roughly 55% of its revenues come from local taxes and fees. Still, municipalities are under pressure to consolidate their finances because of rising expenditures for social services, and the gap between financially strong and weak communities is increasing¹.

The municipalities are ranked last in the administrative structure. The Federation and the States allocate tasks and respective funding to the municipalities. The activities of a Municipality can be distinguished as follows:

¹ Deutscher Städte- und Gemeindebund, *Kommunale Spitzenverbände veröffentlichen aktuelle Finanzdaten*, Press release No. 36 / 2013, <http://www.dstgb.de/dstgb/Home/Pressemeldungen/Kommunale%20Spitzenverb%C3%A4nde%20ver%C3%B6ffentlichen%20aktuelle%20Finanzdaten/>.

- Obligatory tasks such as waste disposal, provision of water, electricity and gas, construction and maintenance of schools (financially supported by States and Federation), child care services for children under the age of six (with support of the Federation and State), organisation of parliamentary and regional elections.
- Voluntary activities, depending on their financial resources, such as maintenance or building of (new) theatres and museums, swimming pools, etc.

The city administration of Mannheim – following a ‘classical’ public organigram – comprises five directorates, a total of 28 line departments, and six municipal holdings in the fields of culture and urban services (according to the Municipal Enterprises Act, municipalities can give greater commercial autonomy to business-like entities).

The Lord Mayor is the chairman of the Municipal Council and head of administration, municipal enterprises and the Mayor’s directorate. Each of the other directorates is headed by a Vice Mayor and defined by its field of responsibility. The Directorates are composed of a number of different departments and offices. The Municipal Council of Mannheim consists of 48 councillors.

The city is subdivided into 17 boroughs, each with a district advisory council appointed by the City Council, according to the proportional political representation. Their members (12 per borough) work on a voluntary basis and give advice to the councillors on all topics concerning their respective district.

The current composition (seats) of the Municipal Council since its last election in 2009 is:

- 15 SPD (Social Democratic Party of Germany)
- 15 CDU (Christian Democratic Union)
- 8 Alliance 90/The Greens
- 4 Voters’ Association Mannheimer Liste e.V. (a non-aligned grouping)
- 1 The Left Party
- 1 Independent

The annual budget of the city administration amounts to approximately €1 billion and it counted a city staff of 6764 in 2011.

SOCIO-ECONOMIC STRUCTURE AND MAIN INDUSTRIES

Mannheim is the cultural and economic centre of the Rhine-Neckar Metropolitan Region, with a large number of international offices, branches and plants based in this business location. Culture is becoming a key sector for Mannheim offering those persons involved a broad platform such as the Music School, the Mannheim Adult Education Centre and Evening Academy as well as its City Library. In addition, in the tertiary sector one can find the College of Music and Performing Arts, the University of

Popular Music (Pop Academy) of Baden-Württemberg, the College of Technology and Design and the Free Academy of Fine Arts.

The population of Mannheim is 325,000 of which about 38% have a migrant background and of which 21% are non-Germans, which provides a very diverse and colourful spectrum. They come from more than 170 different countries of origin. The unemployment rate in Mannheim was last reported at 6% in August of 2012 (compared to a national unemployment rate of 5.5% in September 2012).

Industrial manufacturing corporations such as ABB (power and automation technology), Daimler AG (engine works and replacement engines), John Deere (agricultural machinery) and Siemens (sales and services-automation, IT, railway technology), as well as the pharmaceutical giant Roche Diagnostics (research, development, production) have been (and still are) the main pillars of the Mannheim economy for decades. In addition, emerging medium-sized companies such as SCA (hygiene products), Fuchs Petrolub (chemical and mineral oil sector) and Pepperl & Fuchs (electronic sensors and explosion protection) have invested in the business location Mannheim; Bilfinger & Berger (engineering & services) – for instance – is going to construct its new headquarters in the city. Currently, about 74 enterprises with more than 20 employees each are based in Mannheim, generating in 2011 approx. €14.3 billion in volume of sales, €8.55 billion in foreign sales and an export ratio of 59.5%.

In the same context, the Metropolitan Region (including the cities of Ludwigshafen, Heidelberg, etc.) is increasingly attracting multimedia and high-tech service providers through SAP (systems, applications, products) and houses the headquarters of other leading major businesses such as BASF (chemical sector).

BACKGROUND

Mannheim is a medium-sized city in the German context, with a long industrial and manufacturing tradition. Its location in the south-west of Germany and at one of the major confluence and transport routes in Europe – the rivers Rhine and Neckar – had a positive impact in the 1980s (and 1990s) on its trade activities and economic growth. It belonged to the group of territories which was classified by the European Commission at that time as ‘Blue Banana’, where access to infrastructure, mobility, ‘classical’ industry and active trade were key factors for growth and competitiveness. It is interesting to know in this context that Mannheim is considered to be the birthplace of the motorcar, since in 1886 the first Karl Benz car appeared on the streets of Mannheim. The Daimler AG has a large presence in Mannheim, where today diesel engines and buses are assembled.

The global financial crisis commencing in 2008 had a negative impact on German municipalities. It became obvious that Mannheim would need to manage a financial

gap of approx. €350 million for the fiscal years 2010 to 2013. In addition, socio-economic developments such as demographic change, a stagnation of the population, a shortage of skilled workers or the pressure of competition in economics and international migration, all combined with increasing expectations of citizens towards services of the municipal administration (more than 40% of the city budget is allocated to social welfare and child, youth, family assistance) has led to and called for a change of the direction and prioritisation of local politics and its public management.

When the current Lord Mayor, Peter Kurz, was elected in 2007 he initiated the CHANGE² process, based on the need to redirect the city’s strategy to introduce a (new) culture of target- and outcome-orientation and sustainable finances through fiscal management and strategy-based budgeting. Such a change of approach became even more obvious when in 2009 the fiscal effects of the financial crisis hit the Mannheim Municipality very badly. As a consequence, in 2010, a budget consolidation programme was rolled out.

The CHANGE² process turned out to be a valuable source for decisions and a first step in evaluating the impact of political decisions at municipal level. The modernisation of the administration was and still is imperative in order to cope with the growing complexity of administrative tasks and to pave the way for Mannheim’s future economy and competitiveness.

STRATEGY AND OBJECTIVES

The principal ‘visionary goal’ underpinning CHANGE² is the result of the city’s wish to: ‘continue to grow and develop as Germany’s most compact metropolitan, multi-faceted, tolerant and colourful city. Mannheim regards itself as a city of active and involved citizens, a citizen’s city.’

At the starting point of the project, its ‘assets’ and potential bottle-necks or obstacles were assessed via a simplified SWOT analysis, in order to be able to define the priorities and objectives. The outcome is illustrated in Figure 4.1.

Figure 4.1: Mannheim’s SWOT

	HELPFUL (to achieving the objective)	HARMFUL (to achieving the objective)
Internal origin (attributes of the organisation)	<ul style="list-style-type: none"> • Exceptionally high identification of the citizens with Mannheim 	<ul style="list-style-type: none"> • Fiscal gap of municipal budget

	HELPFUL (to achieving the objective)	HARMFUL (to achieving the objective)
External origin (attributes of the environment)	<ul style="list-style-type: none"> • Excellent infrastructure connection • Strong industrial base • Mannheim is the cultural and economic centre of the Rhine-Neckar Metropolitan Region 	<ul style="list-style-type: none"> • Global financial crisis • Out-migration of professionals and families to adjacent suburbs • Immigration of low qualified households

Following Mannheim’s central philosophy and culture of the process, i.e. *Gemeinsam mehr bewirken* (‘Achieving more together’), and in order to achieve its vision, seven strategic goals were developed:

1. Strengthening urbanity.
‘With an ecologically and socially balanced urbanity, Mannheim offers the advantages of a metropolis in a compact city area. Mannheim avoids the negative attributes of mega-cities.’
2. Attract, develop and retain talent to an above-average degree.
‘Mannheim is establishing itself as a city of talents and education and is gaining more people.’
3. Increase the number of companies and (qualified) jobs in Mannheim.
‘Mannheim is attracting an above-average number of companies and entrepreneurs.’
4. Preserve tolerance, live together.
‘Mannheim is a model of living together in a metropolis.’
5. Raise the education standard of the children, young people and adults living in Mannheim.
‘Mannheim is a model of educational equality in Germany.’
6. Successfully implement the core projects ‘Cultural Capital 2020’ and the Creative Economy Master Plan.
‘Mannheim is among the top cities with a reputation for urban culture and a creative economy.’
7. Strengthening and intensifying civil commitment and involvement.
‘Mannheim’s inhabitants display an above-average level of civic involvement and receive support from the city.’

The targets for CHANGE² did not start bottom-up. In contrast, a deliberate leadership has put forward this set of strategic goals based on a strategic analysis of the situation, which would drive the establishment of line targets to go forward. The targets were then validated by focus groups and dialogue sessions with senior City Council leaders.

To this end, it is important to note that to achieve such ambitious goals, the Lord Mayor and his team stated that the key motivation for CHANGE² was to shape opportunities for the citizens focusing on clear political priorities instead of a tyranny of ‘everything is important’, as well as a new and powerful organisational culture and leadership instead of simple cost-cuttings. The entire approach is thus based on two pillars. On the one hand a structural part in the form of the Master Plan (of projects), and on the other hand a so-called cultural change, summarised as ‘Achieving more together’.

The Master Plan which has been voted by the City Council in 2007 was the foundation for the structured procedural method and provides information on the several details of the CHANGE² process. The individual projects are described in a general survey and subdivided into:

- Strategic (development and realisation of strategies on all levels);
- Parallel (thematic areas that are not organisational or process-oriented);
- Organisational (handle the operational and organisational structure) projects.

In view of the above and in general terms, four objectives have been set within the city administration:

1. **To maintain the city’s operations in times of fiscal shock** by introducing a prioritised budget and a new ‘traffic light’ monitoring system for its supervision.
2. **To improve outcomes** by initiating management’s (leaders’) attention on outcome, setting targets and budget execution according to the targets. In addition, to provide the basis for public debate about results and outcomes.
3. **To establish accountability for results** by assigning responsibility to politicians and department leaders via a budget book, establishing a set of target contracts with the leaders in question in which concrete management targets are fixed, signed and monitored. This shall contribute to a shift in which city managers are demanded for accountability and supported by the instalment of a management information system.
4. **To improve communication and collaboration** within the cultural transformation of the city administration by developing guidelines and targets for leadership and offering improved dialogue for leadership and style.

The success of these objectives were to be measured on a regular basis and should contribute to one main aim pursued by Mannheim, i.e. to be one of the most modern city administrations in Germany by the year 2013. Modernity hereto is understood as:

- Working or acting according to targets.
- The systematic development of the organisation and the personnel.
- Being open to change – a positive attitude of employees and all management levels towards the process.

THE JOURNEY

The introduction of a corporate strategy and aligned objectives required a radical paradigm shift and architecture. With streamlining of directorates endorsed by the municipal council resolution of 23 October 2007, the process of modernising the administration of the City of Mannheim was kick-started. This was accompanied by providing a secure frame for municipal staff in an agreement with the general staff council/union outlining the general rules for the conduct of the modernisation process, securing a no-redundancy and no-demotion policy for city employees during the process or regulating payment maintenance in case of job changes (an interesting observation hereto: the number of municipal employees between 2007 and 2011 increased by almost 20%, apparently as a result of catching up from past budget cuts and equipping the process with sufficient HR). As a consequence, a positive effect could be reached right from the beginning, i.e. the entire CHANGE² process being met with wide support from the entire city personnel.

Political top-level leadership in the person of the Lord Mayor was provided for the project from the start, too. His fascination for questions concerning more strategic steering of a city goes back to the 1990s when he was already a member of the City Council. During the mandate as Deputy Mayor responsible for education, culture and sports, the first PISA surveys were published, which created a change of political debate on educational issues based on outcome-results. Such ideas and effects like the PISA study were taken up by him and applied in further political dimensions.

WHY THE NAME CHANGE² AND WHAT DOES IT CONTAIN?

Mannheim is the only large city in Germany laid out in a rectangular city grid. The centre of the city was planned in the mid-1600s and is referred to as a ‘Quadrat’ (= Squares). This is why the ‘CHANGE’ in Mannheim became ‘CHANGE²’. The content of CHANGE² is a smart mix of organisational set-up, new defined roles for the main actors, a well-planned steering model and operational deliverables/instruments (master-plan) supported by sustained top management commitment.

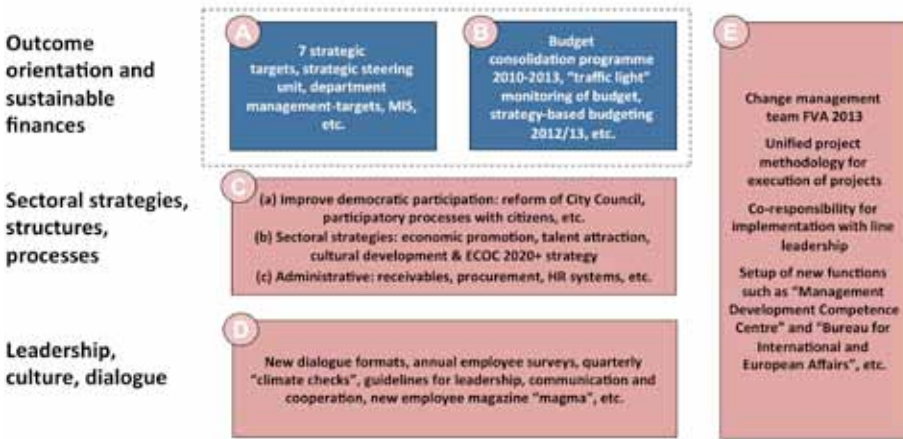
Figure 4.2 overleaf illustrates the contents of the project.

As visualised in Figure 4.2 under field I, the Lord Mayor and Head Officials focus on strategic tasks and decisions for the entire administration and councils. At the same time, there is a delegation of functional responsibility and accountability for resources to the respective department level, and promotion of cooperation among the directorates is crucial.

The other actors in this organisation structure are equipped with the following tasks and/or responsibilities:

By establishing an ‘*Administrative Reform Unit or Change Management Team FVA 2013*’ (see Box E in Figure 4.2), Peter Kurz created an internal management consultancy unit which is responsible for the methodical standardisation and

Figure 4.2: CHANGE² Project



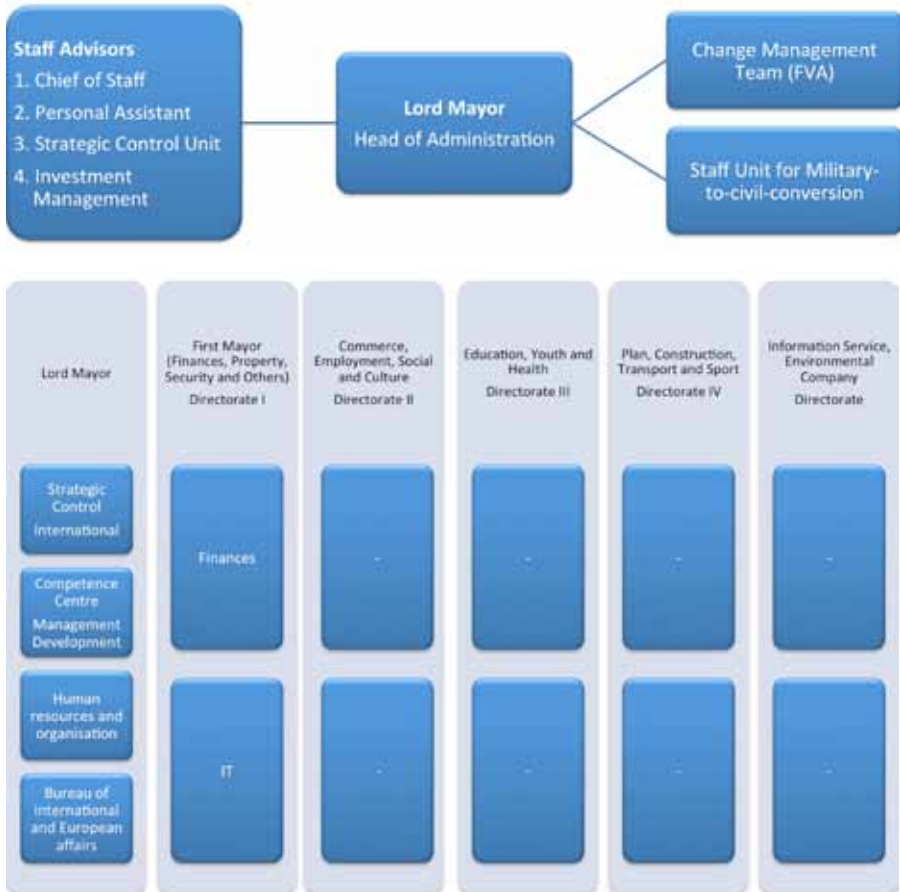
quality assurance of the project, its coordination and the monitoring thereof, the consultancy acquisition (primarily at the beginning of the process) as well as the staff communication. It was set up in 2008 and currently consists of seven full-time employees and a changing number of interns, student assistants and apprentices.

The programme CHANGE² is financed by the overall budget of the City of Mannheim and has been allocated €7 million from this for five years (0.14% of the overall budget for this period) by the Steering Committee, which was set up to secure a long-term and strategic perspective of process, and to ensure that the drafting procedure for the budget is inter-linked with the strategic goals of the city. From 2008 to 2011, €2.5 million was spent on personnel costs and €1.5 million on non-personnel costs. Continuous monitoring, updating and information on the budget are imperative in order to keep it under control.

This medium to long-term programme management structure also included the setup of (other) new units such as a 'Management Development Competence Centre' for promoting leadership and management development, and the 'Bureau for International and European Affairs' to voice the city's European interest. All these strategically relevant areas report directly to the Lord Mayor. The other specialist responsibility for the projects lies with the respective councils which maintain control over their area of responsibility and are provided with advice in relation to aspects of the methodology and strategy.

In Figure 4.3, the main actors in CHANGE² are visualised.

Figure 4.3: Organigram with the main actors in CHANGE²



One of the crucial factors for a smooth and successful delivery of a comprehensive scheme like CHANGE² is both, an extensive inward and outward communication and consultation work, as well as high-level personal commitment.

The introduction of new dialogue formats (see Box D in Figure 4.2), a modernised employee magazine called ‘Magma’, an annual employee survey and quarterly ‘Climate Checks’ in which employees gauge the degree of compliance with the ‘city’s guidelines on leadership, communication and cooperation’, were some of the key instruments contributing to this cultural transformation of the city administration.

For instance, the quarterly conducted ‘climate check’ (in postcard or e-Card format) is a tool which moved beyond the traditional annual employee survey. Every employee is polled once per quarter and answers two to three basic questions in relation to the ‘Guidelines on leadership, communication and cooperation’ which were developed by the city’s top-40 leadership team and cover issues related to:

- mission and self-understanding of the city;
- future picture: becoming one of the most modern city governments in Germany;
- our understanding of leadership;
- communication and cooperation.



A pocket version of the guidelines was made available, the responses analysed down to team level and follow ups initiated in order to provide an ongoing pulse of the organisation.

Moreover, Lord Mayor Kurz's direct dialogue rounds with a group of 30 randomly chosen employees for about three hours every quarter is another exemplary measure to underline the general importance of communication and to spread the new culture of the organisation.

Other creative and innovative communication actions and channels such as a mobile espresso bar ('VeränderBAR'), a dedicated theatre play at the national theatre of Mannheim focusing on the 'realities' in public administration from both a humorous and dramatic point of view, or a foldable cardboard tower ('Targets on your desk') complement and reinforce the objective to penetrate the strategic and operational targets in every 'corner' of the city administration. However, in some cases, these unusual efforts are met with scepticism and opposition from city employees (apparently nearly 50% of public officials still oppose the change process to a certain degree). This may stem from the fact that the professional identity of many city workers is primarily shaped by their respective function and line departments, not by a 'City overall' corporate identity mentality and culture.

WHAT ESSENCE AND LEADERSHIP (TYPE) LIE BEHIND CHANGE??

As can be clearly seen from the above, Lord Mayor Peter Kurz's (creative) leadership has undoubtedly played a key role in Mannheim's journey. Not only his strong believe in: '*Municipal administration must and can be more than an urban service provider in the classical sense. Cities more and more understand their role within society as an actor shaping urban life*', but also his skills in obtaining the acceptance and support of the other political party representatives is notable – without them the implementation would have been jeopardised. The question of an overall strategy – as a consequence – had top priority in Mannheim. The prime concern was not to ask: how do we organise this or that process best?, but rather: what do we want to achieve up to a certain point in time and what organisation do we need to pursue objectives on a sustained basis.

This is what Chandler² described as '*the strategy and structure is closely linked together. And the structure is the design (formal and informally) through which the organization is administered and the strategy as the determination of basic long-term goals and the allocation of resources necessary for carrying them out*'.

² Chandler, A.D., *Strategy and structure*, MIT Press, Cambridge, MA, 1962.

Kurz's personal agenda – in alignment with this approach – was (and still is) based on six fields of action and its shaping:

- Strategic control;
- Programme priorities;
- Strengthening participation;
- Sustainable staff development;
- Municipal business holdings;
- Optimisation of the organisation.

Potential critical incidents in this journey were overcome via the multi-fold dialogue actions. For instance, a huge problem would have been a large-scale union protest, a lack of interest or even employee empathy. The development of the comprehensive guidelines helped to cope with such possible leadership incapacity in the line hierarchy. In addition, the reduction of the number of vice-mayors from five to four was repealed. Minor coordination problems between the central personnel representation and some project groups were only faced at the beginning of the programme when then City Council leaders and staff council representatives regularly convened with the Lord Mayor and the Vice Mayors in the CHANGE² Steering Committee.

In addition, another (possible) trade-off identified in the course of the journey was the use of an English term – CHANGE² – which was highly controversial. Though this expression describes the programme in a simple and appropriate manner, the use of a German term would probably have been accepted and appreciated straight away by the employees and the citizens.

CHANGE² is not simply about introducing a new approach or a new ICT-based process. It combines both technical with cultural features, targets with attitudes and steering with dialogue aspects. The political leadership had a key role to play in effecting this change. ICT-based management information system applications and budget performance systems have been held up as a constant priority in the developing and reporting of the project and this has also been reflected in the budget allocation (especially in the initial phase) (see more details in the next section). However, its overall success was more owing to the good working relationship between the politicians and the administrative bodies, which enabled a smooth implementation of the aforementioned ICT systems and the project as a whole.

MANAGEMENT CONTROL SYSTEM AND FINANCIAL MANAGEMENT

Strategic planning requires a clear definition of goals and strategic steering action plans to continuously monitor the outcome. In order to detect probable deviations as early as possible the City of Mannheim has developed a number of mechanisms.

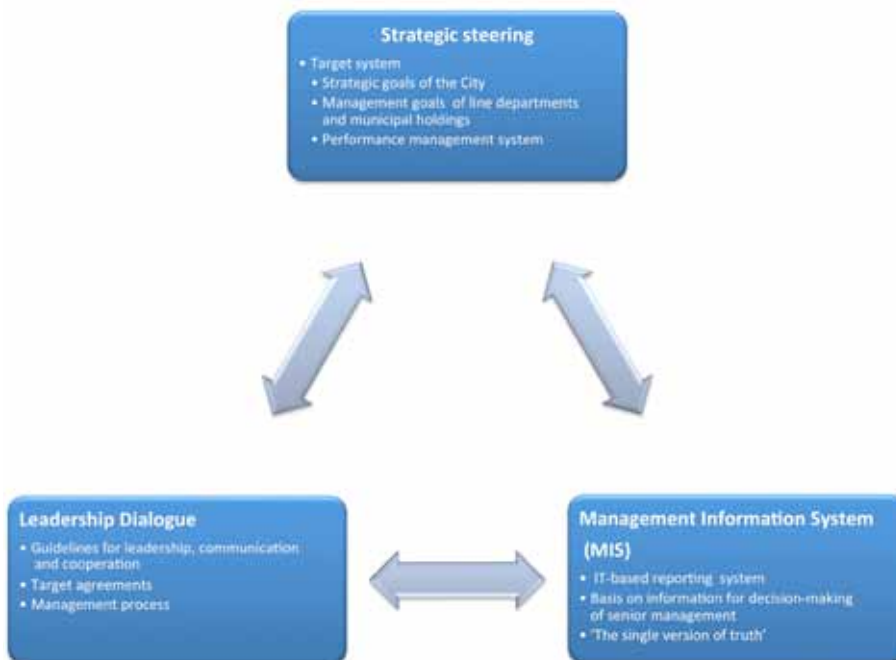
With the introduction of the New Local Budgeting and Accounting (NKHR³) system (in 2012), the budget of the city has become much more transparent and provides improved information on the costs of a product (product-based allocation of funds), as well as displaying depreciation and balance-sheet transparency.

In a budget of a German city such as Mannheim, a number of aspects are considered initially, i.e.

- Finance plan (compilation of revenues and expenditures; compulsory and optional tasks).
- Costs that might arise or revenues due to legal changes, council orders and directives of the Lord Mayor.

The instalment of an ICT-based management information system links the data of the New Local Budgeting and Accounting (NKHR) system with the indicators for the achievement of objectives. In this context, each budget item needs to be linked up and contribute to at least one strategic target. Figure 4.4 illustrates the new fiscal management and strategy-based system of Mannheim.

Figure 4.4: New fiscal management and strategy based system of Mannheim.



³ See NKHR Neues Kommunale Haushalts- und Rechnungswesen: <http://www.mannheim.de/stadt-gestalten/nkhr-neue-kommunale-haushalts-und-rechnungswesen>

A ('normal') biannual budget is divided into personnel and non-personnel costs. The data for the expenses of personnel are acquired on the basis of: costs of all filled jobs on a cut-off date. The non-personnel costs comprise the finance plan and costs arising from legal changes, council orders and directives of the Lord Mayor.

The total annual budget planned (and executed) in 2011 was €990 million (total revenue based) with a surplus of €6 million and approximately one-quarter used for personnel expenses. These figures were slightly better than in the previous years (e.g. in 2009) where the financial crisis hit hard – and consequently affected revenues from municipal taxes and fees. While the financial data (annual surplus/deficit) has improved also thanks to a reduction by 10% of annual (current) expenses from 2007 to 2011, the overall (long-term) debt of the city remains high.

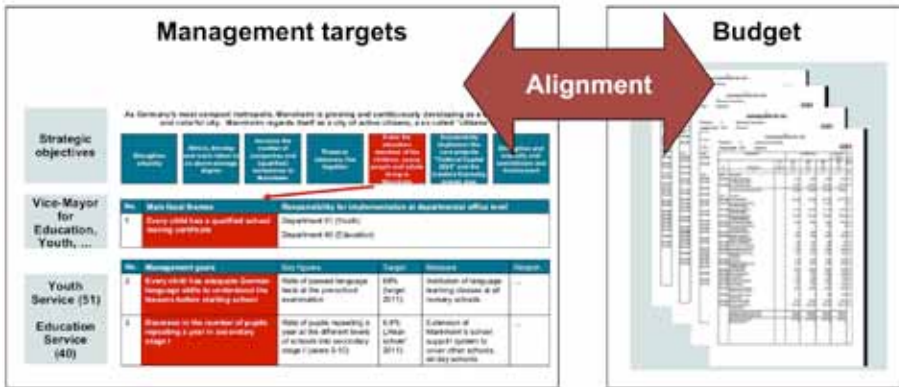
The process of creating a budget draft starts with planning sessions on the demands within all line departments. All claimed needs are discussed and finally summarised in the Directorate workshops. As a next step, the requests are submitted to the treasury. Depending on demands and available resources there might be some additional consultations.

The overall draft budget includes all financial needs of the various directorates and is forwarded to the Municipal Council by the Lord Mayor and the Vice Mayor (Head of Finances) for adoption. The budgetary proceeding of the Municipal Council consists of a number of selected municipal council committees (e.g. Economic, Labour and Social Affairs, Education or Culture). In addition, qualified citizens (assigned by the political parties), private agencies and churches debate the allocation of the finances and are entitled to come up with potential change requests or additional demands. Approximately three to four days are reserved for these public consultations and the speeches of the chairmen of the parties and other representatives. A wider involvement of citizens in this process is ensured through permanent city-wide and district-related projects (e.g. planning and implementation of urban development projects) as well as through continuous counselling services for volunteering and citizens surveys.

As soon as the budget is adopted by the Municipal Council, it is sent to the Regional Administrative Authority (Land Baden-Württemberg) for the final approval. Possible additional credits would be subject to authorisation by the Regional Authority.

With respect to CHANGE² and with the new system in place, the budget 2012/13 is based on the strategic and operational targets. It was the first time that the budget had been drawn up under the new rules of the NKHR. The Lord Mayor and the Municipal Council have the power to change or drop a programme, while the steering committee as well as the Head of Administrative Reform has the authority to modify or even cancel projects listed in the Master Plan.

Figure 4.5: The strategy-based 2012/2013 budget



As mentioned above, the City of Mannheim has started to introduce a management information system which gathers data to support the phases of planning and decision-making and is the basis for forecasts, analysis and monitoring. The specific information is available in the form of:

- Objectives and key performance indicators;
- Personnel (age structure, workplaces, etc.);
- Finances (costs per product group, funds flow, etc.);
- Statistical atlas;
- Embedding of documents.

The quality of the reporting system determines the benefits of the entire steering system. As a consequence, regular and accurate acquisition and recording of data which are relevant for the controlling are made available. To this extent, a quarterly budget report to the City Council is produced as well as the senior management being briefed on the overall capacity of the city budget.

The continuity of the various operations is ensured through a 'traffic light' budget monitoring tool which covers a set of approximately €36 million in projected revenue increases and savings. Projected savings/revenue increases are monitored on a bi-monthly basis with the support of the traffic light system. Changes in status (e.g. from 'green' to 'yellow') are brought immediately to senior leaders' attention and trigger remedial action.



Figure 4.6: Example of budget monitoring through the traffic light reporting system

This new system allows not only an accurate monitoring of the city's spending or revenue generation, but can also be seen as an intermediate response to the current economic climate, to prioritise (and fulfil) the city budget and its management targets as well as automatically putting pressure on activities classified as non-core, maintaining (or even raising) the service quality in focused areas. Finally, it increases the transparency of the city's operations.

IN SEARCH OF EXCELLENCE

The City of Mannheim faced a €350 million budget shortfall for the period 2010-2013 and had, historically, suffered from a lack of strategic direction. CHANGE², as a five year reform project, has contributed to stabilising Mannheim's finances, improving the delivery of public services using strategic and operational outcome-based targets, and to developing a better model of future planning by improving operational aspects of local democracy in the City Council, promoting a participatory approach with both employees and citizens and developing the city in partnership with universities and businesses.

Its success is impressive given the fact that the process has not yet reached its full maturity. It is measured against specific targets and can at this stage report a number of both qualitative and quantitative outcomes:

- **(Political) work in the City Council:** A cut in the number of council committees from 22 to 11, corresponding to the new department structure, was achieved, fostering new working methods and a more collaborative policy-making combined with administrative leadership.
- **Strengthening of the City Advisory Council (*Bezirksbeirat*):** The councillors now meet three times a year instead of twice a year in public meetings, and they are the direct connection between the citizens and the administration. Based on an upfront consensus document issued by the City Council on principles of citizens' involvement, they now have the possibility to participate more effectively in these meetings and they are given the chance to participate in several projects involved in the urban development planning (e.g. the future flagship project called 'Conversion').
- **Strategic budgeting:** The process of setting high-level strategic targets and specific operational targets, which was initially assisted by external consultants, is now firmly embedded in the city's financial systems and operational procedures. While some operational targets can still be improved in their outcome quality, the overall (budget) direction is clear: no resources without commitment to results.
- **Fiscal sustainability:** The Mannheim city budget was approved in 2011 by the Baden-Württemberg state supervision authority within 10 days and with minimal remarks, while other neighbouring cities were mandated to further change

requests, cuts, reduction of services or increases in taxes and fees. By demonstrating a firm financial management and the prioritisation of the budget alongside strategic goals, Mannheim avoided this situation.

- **New dialogue methods:** The Lord Mayor's quarterly employee dialogue with up to 30 randomly selected employees; every employee of the City of Mannheim had the opportunity to participate in one of over 45 town hall meetings; a more than 40% employee participation rate in the annual change management surveys, etc. This all helps to focus attention on issues of customer satisfaction and other – urgent – austerity measures.
- **Dedicated specific reform unit with strong mandate:** The *Change Management Team FVA 2013* was created in early 2008 by the Lord Mayor as an internal consultancy to support, coordinate, accompany and steer the complex transformation process. Its seven full-time employees with an inter-disciplinary background/profile were mandated with a clear mission that allowed them to generate and exercise the capabilities (knowledge, competences, resources and powers) which were necessary and adequate to accomplish the purpose in the expected way.
- **Political leadership:** Strong personal level commitment and leadership by Peter Kurz allowed the city administration to shift orientation from mere legal compliance to actual outcomes and performance targets, thereby paving the way for the next generation of services, growth initiative, etc. He fulfilled the task of not only making a strategy (or policy), but building it into the city organisation's social structure (despite former and ongoing obstacles).

In a nutshell, Mannheim is not only an innovative example ('journey') in the German public administration context, but also at European level because of its outcome-focused, authority-wide approach and the very high level of employee participation in the process.

Sustainability is achieved using various methods already mentioned, such as translating new standards and procedures into 'bureaucratic standards' and a 'lock-in' effect on accountability, further quality management and quality security measures as well as regular dialogues to facilitate the process of stabilisation after 2013. Not only does this ensure sustainability, but it also offers a high potential for replication ('transferability') as several cities in Europe would need exactly this kind of management approach in order to govern their local administration and to save budgeting resources.

If assessing and pointing out some possible 'weaknesses', room for improvements or emerging challenges, it is not entirely clear what will happen and how the programme will be sustained after the next municipal election and the potential departure of Peter Kurz. The priorities are now to wrap up the projects, to prepare a comprehensive documentation of the entire CHANGE² process and to implement an evaluation. The main challenges ahead – in this phase of consolidation – remain the further

delivery of the management goals and of the cultural change as well as ascertaining the assurance of quality.

In financial terms, the balance between costs and benefits has predominantly been achieved due to the selectivity in decision-making and target definition. However, the municipal deficit reductions are going rather slowly (only a 10% austerity result from the mentioned total deficit). Focusing even more on core activities and cutting (further) non-strategy activities should be at the heart of a proper austerity plan. In times of crisis, it is especially important to consider the impact on people and families with special needs, who may be at greater risk of losing the fragile safety nets. This needs to be addressed; the cycle monitoring furthermore offers evidence of the review process and of the resulting tension towards continuous improvement.

Finally, in terms of a future flagship in urban development, the Conversion project which refers to the use and conversion of a big surface formerly occupied by the US military, large-scale citizen participation has been launched to identify the preference of the citizens regarding the use of the land.

INNOVATION POWER

First of all, the City of Mannheim did not reinvent the wheel; but it wisely drew on the experiences of several other administrations. For instance, the British town of Swansea – a twin City of Mannheim – works with strategic targets since 2004 and on several occasions shared its experiences of measures, criteria, etc. with their German colleagues.

Leadership

The personal commitment of the Lord Mayor was of highest importance and a key enabler/driver for the entire CHANGE² endeavour. Without his leadership and focus on outcome-orientation which was inspired as indicated by the political debate following a PISA presentation, Mannheim would have remained a city characterised (and as survey results have shown) as hierarchically organised, with an traditional bureaucratic style and lengthy decision-making process.

New dialogue culture

Across the organisation and with other political parties, designing, negotiating and implementing budget (austerity) plans is a major challenge today in all administrations, yet the first tendency is usually to impose such (cross-cutting) measures. Mannheim has demonstrated a strong integration of this approach into their communal management system.

The use of Information and Communication Technologies (ICT)

The use of ICT in the form of websites, circular mails, surveys, e-Newsletters, etc. was essential, especially in the beginning of the programme (an enabler!) for the fast and simple distribution of information to all employees. However, the face-to-face activities of the Lord Mayor with employees and the leadership circle were and still are highly appreciated and the most effective measures.

A realistic approach

Pearls of wisdom drawn from the interviews and analysis included: the importance of allocating enough time for preparation and implementation of the project; being realistic and not too ambitious when creating a (first) master-plan; introducing leadership guidelines right at the beginning; and finally '*it always takes longer than expected*' could be one of the decisive lesson learnt from CHANGE². This is reflected in a general 'no-trial and error' culture in German's administration, thus an incremental or gradual approach is preferred.

CITIZENS' COMPLAINTS AS DRIVING FORCES FOR CHANGE

City of Milan



City Portrait

INSTITUTIONAL FRAMEWORK

The Italian public sector is characterised by a Napoleonic culture, regarded as having an initial suspicion towards managerial reforms because of its strong legal-code orientation and its traditional state bureaucracies. In the early 1990s, the pressures stemming from the growing public deficit and debt led to regulatory initiatives derived from French administrative doctrines and New Public Management ideas. Moreover, the EU reform of structural funds, from the late 1980s, helped introduce new ideas about financial management, planning and evaluation¹. The most important reform process, which started with Law 142/90, sought to introduce innovation from many different perspectives: municipality governance system, relations between elected officials and executives, public utilities management, outsourcing, and accounting. Municipalities were given greater financial and organisational autonomy, which was ensured by allowing municipalities to self-regulate within specific national rules and principles.

The City of Milan is one of the approximately 8100 Italian municipalities (*comuni*) which are considered the 'front-line' of the Italian public administration and the first of four levels of government (state, 20 regional, 109 provincial, plus municipal governments). Italian municipalities are provided by the Italian Constitution and benefit from a good

¹ Pollitt, C., and G. Bouckaert, *Public management reform: a comparative analysis* (2nd ed.), Oxford University Press, Oxford, 2004 pp. 264-69.

level of autonomy with a particular administrative role. Constitutional rules place great importance on local governments by allowing full independence in drafting their by-laws, conferring regulatory powers for the organisation and performance of the respective functions and affording financial independence. Financial autonomy consists of a high degree of freedom in the allocation of resources, the power to levy taxes and duties and to receive part of the central state revenues collected in their territories. In the case of Milan, for instance, about 80% of revenues come from local taxes and service fees.

However, the recent economic decline coupled with a long-lasting trend of growing public expenditure, undermined both the public deficit/GDP ratio that reached 3% and the public debt/GDP ratio that rose rapidly to 130%². As a consequence, public finance management has become the most important issue on the government's agenda and during the last years several fiscal policies and public expenditure controls have been recentralised, with the inevitable effect of shrinking financial and organisational autonomy. Furthermore, the central government has drastically reduced state grants, so as to foster a deep spending review process at the municipal level.

Italy has a highly fragmented municipal pattern with huge differences in size. Clearly, this results in a significant variation in the actual tasks and activities performed by the various municipalities, even though regulations envisage the same. These differences mainly relate to the quality and quantity rather than the existence of the services directly provided by them. In fact, in small municipalities several core services, such as transportation and local utilities, are provided by consortiums, second tier local governments, or external companies usually controlled by a group of cities, which manage areas far larger than the specific ones falling within the scope of the specific municipality. Such grouping partially bridges the gaps resulting from the different sizes of the municipalities.

Municipal services include municipal police, preschool, education facilities, public libraries, museums, cultural events, sport and leisure, tourism, public transportation, road building and maintenance, water and sewerage, waste and sanitation, urban planning and development, housing, social welfare, civil protection. Italian municipalities are not responsible for health services, which would normally fall within the scope of regions' responsibilities, and for education (except facilities), police corps and fire fighting.

² OECD Economic Outlook, Volume 2013 Issue 2, DOI: 10.1787/eco_outlook-v2013-2-en.

SOCIO-ECONOMIC STRUCTURE, ECONOMY AND MAIN INDUSTRIES

Milan is the second biggest municipal government in terms of residents and the ninth in terms of population density in Italy. From 2006 to date its population has remained rather stable.

<u>Year</u>	<u>Population</u>
2006	1,308,735
2009	1,295,705
2011	1,341,830

Starting from the post-Second World War period, Milan has anticipated the trend of tertiarisation of the Italian economy. Its economy is mainly represented by the following sectors: finance, domestic and international commerce, fashion, industrial design, publishing, entertainment, scientific research, biotechnology, information technology, university, marketing and media, non-profit. Tertiary sectors represent 72.5% of the whole economy, while industry represents 27% (the remainder 0.5 % is agriculture).

Milan is the first financial district of Italy with an average income per capita of about €35,000; it is the location of the headquarters of several Italian and foreign banks and financial institutions, of the Italian stock exchange, and 17 foreign chambers of commerce. With US\$367 billion of local GDP (more than 10% of national GDP), it is the first metropolitan area of Italy and the eleventh of the world, and attracts foreign investments (first in Italy, sixth in EU) with the presence of about 2000 multinational corporations. Milan is also the undisputed world capital of fashion and design with over 12,000 companies, 800 showrooms and 6000 retail and wholesale stores.

It is located at the intersection of three important European economic areas: the European industrial pentagon (Milan, Munich, Paris, London, Hamburg); the 'Blue Banana' area (approximately the areas of London, Benelux countries, South-west Germany, Switzerland, Northern Italy) which covers the world's highest concentrations of people, money and industry; and the 'European Sunbelt' area (lying between Valencia in the west and Genoa in the east along the coast of the Mediterranean Sea), which delimits the cornerstone of Mediterranean economy.

According to the Economist Intelligence Unit, in 2010 Milan was the twelfth most expensive city in the world. It has also achieved the following Italian records: the highest number of businesses (285,000), the highest number of workers (1,768,000), the highest amount of export (€33,000 million or 10% of Italian export).

In 2008 the Bureau International des Expositions (BIE) selected the City of Milan to host the Expo 2015 on 'Feeding the Planet. Energy for life'. This acted as a new driving force for its economy, with special attention on new urbanisation projects and public infrastructures where the Municipality of Milan and the regional government play pivotal roles.

BACKGROUND

In the last few years, the City of Milan has experienced (and still is experiencing) six socioeconomic trends which, together, portray a unique community-laboratory.

The most evident drift is the fast ageing of the population. While the number of inhabitants, 1,350,000, has remained essentially unchanged in the last 20 years, the number of people aged over 75 has increased (i.e. 147,096 in 2006, 162,434 in 2011). Except for children (0-14), all the other segments have been stable or decreasing. With regard to family composition, those with three members or more are decreasing, due to the drop in the birth rate (the average number of members per family is about 1.9).

There has been a boost in new poverties, as income is growing at a slower rate than final expenditures. According to its Statistic Department, in Milan there are 225,000 people in a state of poverty and 108,000 are homeless. In the meantime, prices have been increasing (inflation has nearly doubled, from 1.8% in 2006 to 3.3% in 2011) and the number of people forced out of their homes was 6398 in 2009 in comparison to 4167 in 2007. This illustrates that the cost of living has been increasing, while the purchasing power has considerably decreased.

Even though in the first four months of 2012 employment declined by 1.2%, in Milan there are high rates of employment compared with the national average figures. Milan confirms its leadership in innovation in design, fashion, media and new technologies, attracting many workers from other parts of Italy and abroad.

The role of women in family and society is more complex than elsewhere in Italy and Europe, since the female employment rate is 62.7% as opposed to 46.4% for the Italian average and 60% as provided by the Lisbon Agenda. Furthermore, about 30,000 divorced women live in Milan. This means that women are usually workers, dealing with problems of reconciling their professional lives with their role within the family.

Milan has eight public and private research and teaching universities, attended by about 160,000 students (12% of total population). Only 46% live within the metropolitan area, 29% are daily commuters and 6% are foreigners. After graduation, a large part of these students remain in the metropolitan area as 'young professionals', employed in the tertiary sector as temporary workers; they live and commute from outside of the city and, despite spending most of their time in Milan and contributing to its socio-economic life, they have no representation at the institutional level. In addition to young professionals, there are also other 'city users' adding up to 700,000 people who commute and use the city every working day. There are also about 76,000 NEETs (Not in Education, Employment or Training); 42,000 of them are women.

Milan is considered as the urban area with the highest percentage of immigrants in Italy (about 16%). Men are employed in the construction industry (21%) and women in in-home assistance (32.5%). As a consequence of immigration, there will be a different mix of future generations.

Given the diverse profiles of the needs of citizens and ‘city users’, the year 2006 was the starting point of the ‘**Complaint Desk**’ (CD), a management innovation project. Unlike other situations that were fostering the adoption of innovation, there were no specific evident negative circumstances or adverse trends to face. At that time, two sets of favourable conditions – sons of the new mayor Mrs Letizia Moratti and her municipal executive committee – set the scene for the project launch.

First of all, one of the strategic axes of the new mayor also proclaimed during the electoral campaign was the idea summarised in the New Public Management-like motto ‘the government approaches citizens’. This was coherent with the ministerial directive ‘For a government of quality’ issued by the Ministry of Innovation and Reforms in December 2006. The strategic aim was to simplify life for citizens and businesses, providing more rapid and effective answers to the city’s needs. Furthermore, it anticipated the current (2012-13) ‘spending review’ logic adopted by the central government to cope with financial crisis, by means of an all-encompassing process of innovation, resource optimisation, and simplification, via the engagement of all internal stakeholders (departments).

At the same time, the City of Milan proceeded with the implementation of quality system ISO 9001:2008. While putting into operation the system, it was pointed out that there was a need for a monitoring system of citizens’ complaints, as well as a structured process for managing the resulting corrective actions and feedbacks. As a matter of fact, at that time the management of complaints was extremely extemporaneous and unsophisticated. There was no central desk for the gathering of complaints, no monitoring and reporting actions taken, no monitoring of response time, thereby causing dissatisfaction both in terms of the management of day-to-day operations and decision-makers.

STRATEGY AND OBJECTIVES

The contextual forces, which took shape in 2006 as strengths, weaknesses, opportunities and threats for the introduction of the innovative project, are portrayed in a simplified SWOT analysis (See Figure 5.1 overleaf).

The City of Milan reacted to this scenario by evolving the strategic role related to the CD over years and, more generally, following a strategy of service improvement using a step-by-step approach.

Figure 5.1: The SWOT analysis at the beginning of the journey

	HELPFUL (to achieving the objective)	HARMFUL (to achieving the objective)
Internal origin (attributes of the organisation)	<ul style="list-style-type: none"> • High political support (mayor and executive committee) with the aim to improve municipality-citizens relationship, and efficiency and effectiveness levels of services 	<ul style="list-style-type: none"> • Cultural suspicion about the concept of 'complaint' amongst organisation and elected officials as new way of centralised supervision • Several possible channels already in place to receive claims by the municipality • Limited availability of financial, technological and human resources
External origin (attributes of the environment)	<ul style="list-style-type: none"> • Joint work with other public authorities on this project (Ministry of Public Administration) • Benchmarking activities with other municipal governments • Pressure by consumers' associations 	<ul style="list-style-type: none"> • Global financial crisis • Out-migration of professionals and families to adjacent suburbs • Immigration of low qualified households

The project clearly came to life in 2006 from the new mayor's, Mrs Letizia Moratti, strategic aims of listening to the city, stakeholder involvement and safety. The CD project was part of the municipality's overall strategic axis for 'The government to get close to citizens' that was started to handle the political will to get the local government closer to their citizens and city users. The specific goal was to create a network of access (call centre, mail, email, website, etc.) for the 2 million-plus daily city users, to enable them to get in touch with the municipality without the need to physically show up at a counter. In other words, the CD would have acted as one of the municipality's 'ears'.

The scope of this strategic axis was overarching and extremely challenging for the City of Milan: *'to put in contact the local government with citizens and businesses, adopting all the efforts to simplify their relationship with the municipality, with the aim of improving the community's quality of life and to get the city to become more competitive'* (City of Milan, *Piano Generale di Sviluppo* [Strategic Plan] 2006-11).

A related strategic goal declared by the city council was to improve its effectiveness and efficiency by implementing a quality assurance system. In 2007, the municipal

executive committee declared the will to adopt ISO and EFQM models, to make administrative procedures more lean, simple and transparent so as to guarantee an easy access to services, to monitor quality with customer satisfaction surveys, to promote an adequate awareness and training among staff members, creating a good organisational climate of effective cooperation. This second strategic challenge acted as an intensifier of the first strategic goal and as a separate goal in itself; since the CD – having the potential to manage customers' dissatisfaction in a standardised way – was considered one of the most important missing procedures to get the quality assurance certification ISO 9000. In fact, it became clear that without the CD (and its connected Customer office for surveying customers' satisfaction) any quality assurance certification would not have been earned. Thus, not only was the CD a network of bidirectional communication channels between the municipality and its city users, but it was also a system of standardised, efficient and effective processes to manage complaints. In other words, the CD would have acted as one of the municipality's 'ears' where the city user would have had the guarantee to have his or her problem concerning any municipal service solved within a specified deadline.

CD proved to be an evolving and multipurpose project. After the first five years of operation, a huge organisational renewal completed in 2011 changed it from being a simple 'container of city users' complaints' to a powerful monitoring and controlling system. This places it in the strategic challenge of broader organisational renewal, as set out by the new mayor, Mr Giuliano Pisapia, a leftist voted by majority after 20 years of right-wing mayors in power. In line of continuity with the past, CD was maintained (both in terms of budget, staff and activities processed), but moved from the Quality directorate (now merged within the Human Research directorate), to the Management Control System and Audit Directorate. This upgraded the CD's goal to becoming a strategic key of the City of Milan's MCS. Under this new perspective, CD uses complaints information in conjunction with customer satisfaction surveys and other performance measures to improve the quality of feedback to managers for corrective actions, with the final aim being to improve municipal service delivery to citizens on a day-to-day basis. The intended logic, specified in the Strategic Plan of the City of Milan 2011-16, was to join the idea of improving the access to municipal front-office services for citizens, using technological solutions and the internal know-how, with a focus on organisational efficiency, unification of organisational units and administrative processes, uniformity, coherency and a lower level of fragmentation of decision-making processes.

Thus, the strategic objectives that involved the CD innovative project have developed and become stratified over time: from a simple 'point of access' for citizens, to a 'collector' of standardised complaints management processes and, finally, becoming a more sophisticated monitoring and controlling system. But what is interesting to highlight is that, despite the political party in power changing, they all refer to the idea of improving the effectiveness and efficiency of municipal services on a day-to-day basis. In other words, the innovation here does not consist of big investment projects where the output is tangible and easily countable. The *fil rouge* that has passed unharmed throughout the change of political power over 20 years is the logic

of improvement from the ground level – the step-by-step approach. Of course this is not the sole strategy of the mayors who have succeeded in recent years. One of the most important priorities, if not the main priority for its potential direct and indirect effects upon several aspect of the community's life, is the Expo 2015 – the Universal Exposition that will be held in 2015 – with its related infrastructure projects (urban renovations, public transportation systems, etc.). It could be argued that it is exactly this big project which might have negatively affected city users' lives (in terms of inconveniences of large construction projects), together with the need to face a worsening financial situation, to stimulate the municipality to undertake and then support this innovative project.

THE JOURNEY

At the inception of the CD innovative project, the driving force was represented by a clear political leadership. The mayor and her municipal executive committee were particularly attentive to monitoring the level of citizen satisfaction. This is well demonstrated by the rapid issue of important executive committee decisions concerning the project, with specific reference to its linkages with the implementation of the quality assurance system. The mayor retained the political mandate, and therefore was directly responsible, for the quality assurance system and thus the CD. Furthermore, in 2009 the mayor weaved relationships with the ministry of public administration and signed a memorandum of understanding with the aim of disseminating the know-how gained during the first months of experience to other Italian governments.

The management was left free rein to develop the idea of CD. At the very beginning and because of its brand new concept within the municipality, the management acted without any formalised strategy, but the overall situation convinced them to shape a medium-term strategy connected to the role of the CD as supporter of the quality assurance system. This guaranteed the necessary political support.

Therefore, the choice was to build the CD around the complaints management as a cross-cutting process inspected by an external audit body. A pyramidal soliciting system was created, with feedback to both managers (from junior managers to the general manager) and elected officials (council members and the mayor). An essential part of the entire project were the 26 contact persons distributed among the various municipal directorates, who acted as sentinels and facilitated the creation of an efficient and effective intra-organisational network for managing complaints. Also the CD started to work closely with the Customer office (within the same directorate, even before the organisational renewal of 2011), which was used to survey customer satisfaction in those critical areas detected by the CD.

While this was portrayed formally since the start-up of CD, the involvement of municipal multi-utilities, agencies and corporations (of such municipal services as public transportation, energy distribution, trash collection and disposal, water and

sewerage, etc.) has been strengthened over time. This upgraded the former prevailing 'intra-organisational network' to a more 'intra & inter-organisational network', improving the system so as to give citizens a better image of the CD's robustness and capacity.

With the aim of providing a robust system for managing all types of complaints, improvements have been implemented gradually, at the time that problems arose. At the beginning, the complaint management system software was basic but already able to elaborate reports of analysis. In 2010 the initial software was subjected to a radical change to enable a multiple forwarding of the same complaint in case of involvement of several directorates at the same time. More recently (2011), a related software has also been implemented to manage the corrective action which follows each complaint, creating a ticketing system (called 'online form') also allowing to gather, catalogue and analyse the effective time to resolve the problems.

One of the most important forces against the introduction of the DC was the 'we have always done it this way' syndrome. The risk behind this cultural approach, was (and still is) the old-fashion management of complaints by each directorate, escaping central supervision and, thus, losing any capacity to adequately monitor and manage citizens' satisfaction. With the aim of dealing with this threat, CD has adopted a strategy of raising awareness amongst all municipal managers and elected officials about the benefits of a uniform and coherent complaint management for citizens (unambiguous replies and definite time) and politicians (monitoring and preventing the development of critical situations). It has also worked on adopting an interdisciplinary, problem-solving and process-oriented attitude, by promoting cross-unit cooperation on a basis of daily contact approach. In 2009, it also enhanced its customer orientation perspective, by administering an internal customer satisfaction survey with the aim of recognising possible critical factors and frictions to be eliminated.

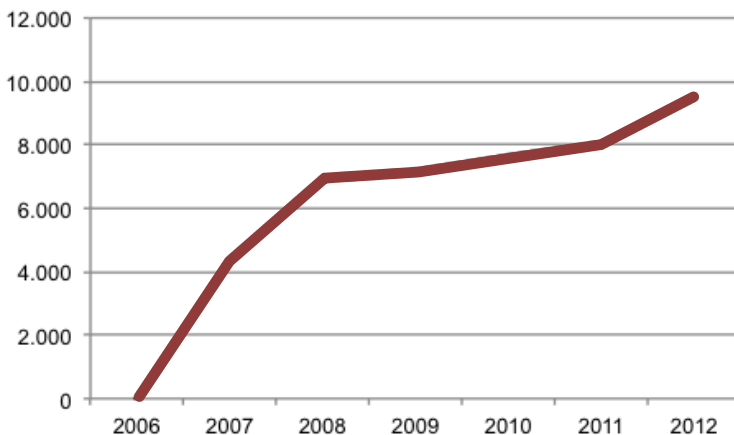
The creation of a sense of belonging and specific identity for the CD staff was a key element of the journey. The CD project is characterised by its low commitment of financial and personnel resources, shared with the Customer office. The CD is composed of one manager, who also coordinates the Customer office (which manages customer satisfaction analyses), plus four employees in 2006, five starting from 2009, and six from 2011 (amongst whom one with a part-time contract); three units of personnel are exclusively devoted to the CD. The scant amount of personal resources and their diversified backgrounds required deep investment in terms of training and, more important, capacity building within a good organisational climate. In the first year, the staff was also supported by a psychologist; over time, they have further improved their capacities in managing relationships with the CD users. Empowering these employees through team building enabled the creation of a harmonious and long-lasting group of people, which has created a specific brand new set of competencies that have not only become evident within the municipality, but which have also been disseminated at the national level throughout seminars organised in cooperation with the ministry of public administration.

The limited amount of financial resources allocated to the project did not make it possible to purchase a specific software for managing complaints, and that was considered a challenge at the beginning of the journey. But the CD staff put in practice the motto ‘when life gives you lemons, make lemonade’. Through the approach of empowering people and using a software application no longer used by another organisational unit, the staff – with the help of the IT department – produced its own IT solution at no extra cost. In so doing, the City of Milan has managed to turn the challenge of no pre-prepared IT solutions into a strength: it created a tailored software, instead of adapting its internal complaint management procedures to a standardised software, and can uninterruptedly upgrade it according to emerging needs.

Immediately after the start-up of the CD service, the municipality signed an official memorandum of understanding with consumers’ associations, aiming to put the CD at the centre of the protection of consumers’ right. Furthermore, starting one year later, the municipality became the project leader for citizens’ listening activities within the Benchmarking Quality Club national initiative amongst major Italian municipalities, with the objective of exchanging ideas amongst a good practice community. Other stakeholders were reached by one-way channels of communication (press conferences, online information, presentations). The broad underlying logic was to involve all the major stakeholders by discussing and sharing ideas with them.

In consideration of the limited availability of resources, especially in terms of employees, skills and software, the municipality decided not to extensively advertise the start-up of CD so as to avoid any breakdown caused by the possible jamming-up effect. A few posters were put up and a limited number of flyers was distributed in or nearby the main municipal front offices, with the idea that the word of mouth would have acted as a slow promoter so as to give time to the CD staff to adapt to the learning curve. The incremental number of complaints processed by the CD gives clear evidence of the word of mouth effect (Figure 5.2).

Figure 5.2: The journey – the increasing number of complaints processed



MANAGEMENT CONTROL SYSTEM AND FINANCIAL MANAGEMENT

The public administration reform introduced in 2009 started a new all-encompassing national campaign towards the implementation and use of performance measurement and management and related MCS techniques. This pressure from the central government, together with the election of the new mayor, was the reason behind the introduction of a new MCS by the City of Milan in April 2011. It has been recently further modified after a new wave of national laws concerning the development of MCS issued in 2012. The new system is still undergoing testing right now; therefore, what can be described here comes from the first 18 months of trials (the system will come into force with the new budgeting cycle in 2013). Furthermore, we reflect on the contribution provided by the CD's activities.

While the former version of the City of Milan's MCS was limited to strategic goals, the new system introduced in 2011 is a total system, embracing also operational goals. Bearing in mind that the budget of the City of Milan has very big numbers to manage (about €2.4 billion of current expenditures and ca. 15,700 employees), the MCS is divided into two levels so as to manage organisational complexity. The first level refers to strategic goals, i.e. those goals related to the municipality's strategic aims; it is the council's and executive committee's prerogative and does refer to the higher level of hierarchy (politicians and senior managers). The second level of MCS is complementary and used by senior managers to control junior managers and, with a top-down logic, their subordinates; with this second level, each of the 15,700 employees has his/her own performance objective(s) and thus an individual assessment is possible.

The CD acts as an important tile of this bigger mosaic. As described above, the CD is particularly useful in feeding the MCS at the strategic level as well as at the very operative one. In providing information concerning complaints, on one hand it allows an efficient and effective day-to-day operational fulfilment; on the other hand it gives the opportunity to point out structural problems to the strategic decisional level.

While at this time it is far from easy to assess the goal congruence in terms of the general MCS, it can be argued that the CD – as an active part of it – has contributed to this aspect. In particular, the CD has acted as facilitator for managing the challenging strategic aim of 'doing more with less', which might be, and often is, an illusion. The CD enables all managers of those services that have customers (from utilities to the police department) to have rapid feedback on major weaknesses so as to have the possibility to put in place corrective actions and, thus, avoiding gradual quality downturn or possible major costs (for example when a maintenance problem can be solved before a point of no return).

The City of Milan's MCS is built around the financial structure, i.e. the traditional financial planning-programming-budgeting-reporting cycle. Nevertheless, the new MCS still needs some adjustments so as to have a better congruence between the financial and non-financial performance decision-making process, especially within the planning-programming-budgeting phases. Furthermore, the linkage of the non-financial performance part to the financial part is causing delays. For example, the operating budget of 2012 was issued in October of the same year, because of the routine of waiting to start the budgeting process only after the national financial law is issued.

The management control process is rhythmic: it follows a definite pattern and timetable defined by rules and guidelines issued by the municipal council. In budget preparation and reporting, several meetings that involve more than 500 senior managers, junior managers, officials, and employees, are organised. There is a precise sequence of steps, from dissemination of guidelines, to preparation of estimates, transmission of these estimates up through the several echelons of the organisation, review of these estimates, final approval by senior management, and dissemination back through the organisation. An infra-annual all-encompassing monitoring phase is also provided so as to take advantageous corrective actions. In all these related activities, the CD provides adequate support, working together with the Customer office for customer satisfaction analyses.

A MCS should be a coordinated, integrated system. Right now the municipality is putting huge efforts into integrating the performance assessment system with the incentive system for all the employees. This is a challenging task that involves attaching individual performance measures to all 15,700 municipal employees.

As to the CD project, it is now perfectly integrated within the MCS, representing an essential part for the customer satisfaction management. This was formalised definitively in January 2013, since the formal routines do now consider the complaint management as a completing part of the broader MCS.

The overall budget of the city in Milan in 2011 was €2.39 billion, out of which €2.03 billion came from municipal taxes and service fees. While the debt has increased along the journey – mainly due to the investments for the Expo 2015 – reaching €4.40 billion in 2011, the cost of personnel, €0.64 billion, has remained the same (decreased in real terms) and there has been a big improvement in terms of accounts payable that have been reduced considerably, by about 20% in five years.

IN SEARCH OF EXCELLENCE

Being awarded two EPSA Best Practice Certificates in 2009 for the CD project and in 2013 for the ‘Together in the neighbourhood’ project, is a clear indicator of innovative city projects and excellent local public management in concrete areas. Of course each project has had a different genesis and path to maturity, but these clearly denote an organisational culture that fosters innovation.

The both tangible and intangible achievements of the CD project innovation implementation described in this chapter are twofold. On one side there are a set of results that can be considered ‘internal’, i.e. which have had an immediate positive influence on the **internal operations**, namely:

- **Enhancement of efficiency (simplification) and effectiveness (appropriateness)** of the complaints management procedure; this is demonstrated by the certification of all the CD’s processes and by the zero-defect results reached thus far during biannual audits.
- **Creation of a permanent monitoring system of critical situations** signalled by citizens, blueprint of each complaint, monitoring of complaint status, tracking system for assignment of managerial responsibilities.
- **Registration and monitoring of corrective actions** put in place in response to complaints.

It can be argued that these internal results led to a better capacity to manage the municipality through a more complete MCS that also includes the customer satisfaction side.

In terms of **immediate external impacts**:

- **Simplification of means for citizens to get in touch** – they can use fax, phone, mail, email, website, front offices – demonstrated by the increasing number of contacts processed by the CD over years, from about 4300 in 2007 to over than 9500 in 2012 (see Figure 5.2).
- **Timeliness of response to each complaint**, which is now, on average, less than 13 days out of a legal maximum of 30 days (in 2012 only two complaints received an answer over the legal limit); in the past this information was unknown but, for sure, the performance was far worse (with also some examples of directorates which did not manage any answer to complaints).
- **Appropriateness of answers received by citizens and corrective actions taken**, demonstrated by the zero-defect results reached so far during biannual audits.
- **Citizens’ loyalty**, demonstrated by the continuous use of the CD by the same citizens who then act as ‘external sentinels’ at no cost.
- **Citizens’ satisfaction**, supported by the several voluntary letters demonstrating citizens’ approval and proved by good reports from consumers associations (see Figure 5.3).

Other than internal and external impacts, the project has been so successful within the Italian panorama that it has roused strong interest amongst institutional actors such as UNI (Italian organisation for standardisation), Linea Amica (the central contact centre of Italian governments), INAIL (Italian governmental agency for work-related injuries insurance), Department of Home Office, Ministry of Labour and Social Policies, consumers' associations, school districts, local governments, and public utility companies. The City of Milan has therefore created a vast network of public institutions at the national level where it acts as promoter of benchmarking and training activities on complaint management and customer management related issues.

Figure 5.3: The City of Milan's CD effectiveness in terms of capacity of intervention, readiness and courtesy

— Milano, quei materassi non sono d'occasione

Vecchi materassi, secchi di vernice vuoti, un motorino ed elettrodomestici rotti. A Milano, l'angolo tra via Leoncavallo e via Conegliano è diventato una piccola discarica a cielo aperto. La nostra socia scrive il 30 novembre all'Ufficio reclami del comune di Milano, il quale non solo passa il giorno stesso la segnalazione all'Amsa, l'azienda che gestisce la raccolta e lo smaltimento dei rifiuti nel capoluogo lombardo, ma si premura di avvisare che lo ha fatto. Il 13 dicembre, tutto il ciarpane e i rifiuti erano stati rimossi. Contestualmente riceviamo un'email dal servizio clienti dell'Amsa, in cui ci comunica che una squadra passa quasi quotidianamente a ritirare i rifiuti ingombranti nella zona, ma che purtroppo ne vengono ammassati di nuovi in continuazione. Torniamo dopo l'intervento, e troviamo già depositate, ahinoi, le ante logore di un vecchio mobile.

- 😊 capacità di intervento
- 😊 velocità di esecuzione
- 😊 cortesia nella risposta



Notes: This is an article that appeared in the magazine of the Italian leading consumers' association 'Altroconsumo', which demonstrates the outcome of a mystery client (green smiles for capacity of intervention, readiness, and courtesy) who asked for support for the City of Milan's CD.

One of the project key factors of success is its low-cost feature. Differently from ad hoc projects that receive special one-time funds, the current six employees involved are funded from within the current expenditure of the general budget of the Management Control System and Audit Directorate. There are no further costs for external consultants, software or support services. Also, these employees are equally shared with the Customer office, thus it can be stated that there are three full-time equivalent employees who manage complaints coming from more than 2 million city users per day. This small, long-lasting, skilled group of people, whose skills are also requested from other organisations, represents a consolidated and dedicated intellectual capital. All these conditions have allowed challenging goals to be reached (see Figure 5.2) and will guarantee sustainability and further improvements for the future.

To date, the City of Milan uses several ways to communicate with citizens: mail, email, institutional website, social networks, central municipal information office, central municipal call centre; more recently there was the ‘Together in the neighbourhood’ project by the city police, which was another innovation by the City of Milan where the citizen is at the centre of policing, and officers do not merely provide a response to a request, but build synergy through continuous contacts aimed at enhancing understanding, trust, citizenship. However, the birth of several competing channels of communication with citizens threatens the success of the CD project. To contrast the leakage of complaints amongst the different points of contact and leveraging on the know-how matured, recently the CD staff prepared and submitted for discussion and consideration to the different points of contact a protocol with the aim of integrating the different procedures adopted and collect all the information within a unique dataset. This will lead to:

- an all-encompassing complaint management procedure which crosses all the different communication-to-citizens programmes;
- assess and control the customer satisfaction of the city services overall;
- assess, control and audit response time, reaction time, and corrective actions taken by all directorates and external agencies, municipal companies and external vendors.

This highlights how the presence of apparent programme inconsistencies, which may derive from the political decision-making process, are handled and vacuums are bridged by the management once it gains expertise.

One cannot talk about the future of the City of Milan without considering the forthcoming Expo 2015. The Expo 2015 is forecasted to bring about 21 million visitors to the city – 30% foreigners – in six months between 1 May and 31 October 2015, with an average of 160,000 to a maximum of 250,000 per day. It also means a deep urban transformation of an area of 1.1 million square metres and big infrastructural projects, amongst which the extension of the city subway with two new lines, totalling €11.8 billion of public and private investments in the metropolitan area; 70,000 new workplaces are also forecasted. Without a doubt, these numbers reveal a big shock on the horizon. The CD staff is aware of the need to gear up for this big event, that will mean a potential increase of complaints both in number and complexity (international city users, growing number of actors involved, etc.).

In conjunction with the need to face the challenges described above, the City of Milan is aware of the trend of shrinking financial resources that will be exacerbated in the next years. Also the specific financial situation of the City of Milan imposes thorough attention on the financial side. It is therefore clear that the challenge will be the idea of fulfilling the objectives of providing better (in terms of more satisfactory) services at lower costs. The low cost and the other specific features of this project are intended to contribute to this general strategic aim.


INNOVATION POWER

The City of Milan case demonstrates how the setting-up of a single small-scale project – the citizens’ Complaint Desk – can turn into a driver for innovation, can generate positive spillovers and become a bottom-up source of inspiration for further and wider change in the whole local administration. The summary below portrays the essence of Milan’s innovation power.

Low cost makes sustainability possible	Differently from ad hoc projects that receive special one-time funds, this project has a low-cost feature. This guarantees its sustainability for the future. Also, in an era of spending review, this project guarantees a very high cost-effective level.
Non-faddist	The essence of this project has no political tagging, it is not faddist; the logic of ‘doing more with less’ and ‘customer satisfaction’, which is at the basis of any New Public Management-like innovation, has guaranteed political support over years, even if the political power changes.
Empowering people	Empowering employees through training and team building enabled the creation of a harmonious and long-lasting group of people, which has created a specific brand new set of competencies that have not only become evident inside the municipality, but have also been disseminated outside.
Networking (inside and outside the organisation) to overcome cultural barriers	A key factor has also been the idea to create a cross-organisational network which has also proved to be beneficial for overcoming cultural barriers. Coordination by explaining the reasons why new processes were (and still are) essential for the real success of the city, especially when facing big challenges such as the Expo 2015.
Political support is not enough, managerial creativity matters	The CD has proved to be successful because of the managers’ and staff’s creativity in facing challenges (e.g. lack of personnel resources and software, helping overcoming programme inconsistencies).

PROGRESS BUILT ON ICT, OPENNESS AND TRANSPARENCY

City of Tallinn

	<h3>City Portrait</h3>
<p>INSTITUTIONAL FRAMEWORK</p> <p>Estonia is a unitary state with a one-tier local government system, composed of rural municipalities and cities¹. They operate within specific counties, which are the regional divisions for planning, coordination and monitoring of the lawfulness and appropriateness of municipal activities². The specific duties and competences of local governments derive from the Local Government Organisation Act³ (passed by Parliament on 2 June 1993), which determines the functions, responsibility and organisation of local government and the relations of local governments with one another and with state bodies. The basic provisions for the rights of self-governance and financing of local authorities are laid down by the Constitution. Despite the right to levy and collect taxes on the basis of law, the financial autonomy of Estonian municipalities is relatively low. Regarding Tallinn, about 30% of revenues come from local taxes and service fees in 2011. Nevertheless, a high level of taxes is allocated on the basis of residents. Therefore, to some extent, the local administration has some levers of control to increase this amount by attracting new citizens.</p>	

¹ Council of European Municipalities and Regions, *Local and Regional Government in Europe. Structures and Competences*, 2012, p. 16. Downloadable at <http://www.ccre.org/docs/publication-structures-2012-en.pdf>.

² Council of Europe, *Structure and operation of local and regional democracy. Estonia. Situation in 1999*, Council of Europe, Strasbourg, 2000 pp. 29ff. Downloadable at <https://www.siseministerium.ee/29950/>.

³ Accessible via <https://www.siseministerium.ee/legal-basis-3/>.

The functions and competence of local governments include the organisation of social assistance and services, welfare services, the supply of water and sewerage, waste management, spatial planning, public transportation, the maintenance of rural Municipality roads and the maintenance of pre-school child care institutions and schools, libraries, shelters.

The management of the City of Tallinn is regulated by the Tallinn City Statute (passed by the City Council on 10 October 1996) which adheres closely to the text of the Local Government Organisation Act. In addition, it regulates Tallinn's administrative division into eight districts, the city budget, city development and other questions of local nature.

The bodies of local government are the council (legislative body), which is composed of ten committees, and the government (the executive body). The city government has seven members (the current Mayor – Mr Edgar Savisaar – and six deputy mayors), who head the thirteen departments of the City Government. In addition, the City Office, which ensures the organisational and technical work of the City Government, and the City District Administrations fall under the mayor's responsibility.

Since November 2005 the Centre Party has held the majority in the City Council, formed the city government (with a brief two-party coalition period) and held the post of Mayor. The current City Council, elected every four years, has 79 members:

- 43 from the Centre Party
- 14 from the Reform Party
- 13 from the Fatherland-Pro Patria Union
- 8 from the Social Democratic Party
- 1 unaligned member

The ruling coalition is formed by the 43 members of the Centre Party and the annual budget amounted to €431,86 million in 2011 and 15,845 employees support the city administration in its everyday work.

SOCIOECONOMIC STRUCTURE AND MAIN INDUSTRIES

Tallinn is Estonia's largest city with 424,445 inhabitants (March 2013) and is also the capital city. It is situated in Northern Estonia, on the south shore of the Gulf of Finland. It is a political, cultural and economic centre, with the Tallinn capital region containing two-thirds of the country's economic potential. The city is home to about half of all Estonian companies, which are responsible for approx. 50-60% of the GDP and nearly three-quarters of the total business profits. Tallinn has a per capita GDP of roughly €20,000 (in 2010), almost twice the Estonian average. Tallinn is also Estonia's main gateway to the outside world, a transit centre and the country's primary tourism destination. The favourable geographic location has helped Tallinn to develop into an important port city.

Throughout history, Tallinn has been a multicultural city; today 54.9% of the population are Estonian, 36.5% Russian, around 6% Ukrainian or Byelorussian. The city has the largest number of non-EU nationals: 27.8% of its population are non-EU citizens. Cultural diversity and own traditions make the living environment more versatile. In addition to the native Estonian language (which is of the Finno-Ugric group, closely related to the Finnish language), Russian, Finnish and English are widely spoken in Tallinn.

In the 1990s there was a considerable decrease in the number of inhabitants in Tallinn, which stemmed primarily from low birth rates and emigration of ethnic minorities. During the 2000s the city's population has remained relatively stable and even began to grow. Since 2005, Tallinn's population has increased every year on average by 3000 people.

The economic structure in Tallinn first changed during the 1990s, when the share of private enterprise suddenly increased. This was followed by the structural stabilisation of the economy; the private sector and small enterprises dominated. The share of the service sector has increased since then, while traditional industries like shipping or trade were maintained. The economic model characterised by a relatively affordable labour force is fully exploited, and the direction has been taken towards a knowledge-intensive and export-based economy. This economic portfolio diversification also helped Tallinn to recover relatively quickly from the shock of the economic crisis in 2009.

In 2011, the economic activities of Tallinn comprised wholesale and retail trade: repair of motor vehicles and motorcycles (21%), professional, scientific and technical activities (17%), construction (8%), administrative and support services activities (8%), real estate activities (8%), transportation and storage (7%), manufacturing industry (6%), information and communication (6%) and other service activities (5%).

BACKGROUND

The development of Tallinn's excellence in ICT-provided solutions has to be seen in the broader context of Estonia's early focus on ICT-enabled public service structures. After gaining independence in 1991 and with the internet having just arrived on the world stage, the country's leaders decided 'to build an open, e-Society – a cooperative project involving government, business and citizens that would mould the nation's path to the future⁴.'

⁴ See <http://e-estonia.com/e-estonia/how-we-got-here>.

‘Building a new public administration’ after the fall of the iron curtain, in parallel to the emergence of the multi-faceted new technological opportunities offered Estonia a unique chance not only to fully exploit the benefits of this new enabler, but also to put the country and its society on the global map. As a consequence, as early as in 1996, ICT was already introduced to educational institutions in the framework of the ‘Tiger Leap’ project⁵. Since these early steps, ICT-enabled solutions have continuously been developed on a national scale (e.g. introduction of the ID card, e-ID, e-School) and also at the local level, contributing permanently to the development and progress of the City of Tallinn.

Figure 6.1: Using information and telecommunications technology in developing the national economy (ranking among 138 countries)⁶

	2008/2009	2009/2010	2010/2011	2011/2012
Sweden	2	1	1	1
Finland	6	6	3	3
Estonia	18	25	26	24
Lithuania	35	41	42	32
Latvia	48	52	52	41

Tallinn’s city transformation and enhanced focus on the usage of ICT tools for more versatile and citizen-centred services was kick started in 2001, when the new Public Information Act⁷ entered into force at national level. The aim of this law was to attain transparency of public authorities and to allow the public to monitor the performance of public law functions. It set clear requirements for the digital databases of public authorities and specified the types of information that must be disclosed (e.g. local government statistics and budget information, commissioned studies and analyses, application forms and guides and the local government document register). The adoption of this law gave a substantial ‘push’ to Tallinn’s ICT developments and the subsequent adoption of respective city development documents.

A further driving force for Tallinn’s reform process was the change of the income tax law in 2002, which made the share of income tax of a city/Municipality dependent on the number of its residents registered in the Population Register. It encouraged Tallinn to attract more citizens and to explore new ways of offering high-quality living environments and services to citizens. Therefore, the improvement of the quality of life of Tallinn’s citizens and paying more attention to their versatile needs were

⁵ Ibid.

⁶ Tallinn City Government, *Tallinn. Facts & Figures 2012*, Tallinn, 2012. <http://m.tallinn.ee/eng/investor/Tallinn-Facts-Figures-2012>.

⁷ See <http://legislationline.org/documents/action/popup/id/6483>.

considered key areas by Tallinn’s city administration. This focus was translated into better working and business environments, flexible residential policies favouring diversity of housing, more quality and versatile services and human-friendly physical and social environments.

Against this backdrop, Tallinn embarked upon a rapid course of modernisation, particularly in the already indicated field of digitalisation of its systems in the early 2000s. The city had a website at that time, albeit a primitive one, and a web-based legal acts register. These were soon followed by the city government documents and legal acts processing system, city government sessions information system, the City Council legal acts management system and a general electronic document register.

STRATEGY AND OBJECTIVES

From the beginning of the previous decade, ICT development has been a constant priority in a succession of city development strategies, action plans and documents and therefore an important development goal for the city as a whole. The following simplified SWOT analysis characterises the situation of the city administration when designing Tallinn’s (ICT) strategy and developing its strong ICT focus.

Figure 6.2: The simplified SWOT analysis for the strategy development of Tallinn

	HELPFUL (to achieving the objective)	HARMFUL (to achieving the objective)
Internal origin (attributes of the organisation)	<ul style="list-style-type: none"> • Established ICT & Development Units • Professional team • Long-term strategic and short-term development plans 	<ul style="list-style-type: none"> • Lack of e-Skills • Rigidity of people/organisation • Underdeveloped ICT infrastructure until 2001
External origin (attributes of the environment)	<ul style="list-style-type: none"> • Established state ICT infrastructure (e.g. ID card, e-Government, X-road and state registers) • Legal framework • Private sector ICT developments • Migration and population increase of Tallinn 	<ul style="list-style-type: none"> • Urban sprawl • Political instability at national level

⁸ See ‘Development Plan of Tallinn. 2009-2027’. Annex to Tallinn City Council decision No. 129 from 19 June 2008.

The new national Public Information Act of 2001 served as a decisive catalyst for the self-generation and development of Tallinn's ICT strategy with the aim to make Tallinn the fastest developing living environment in the Baltic Sea Region. The ICT strategy was an immediate reaction to the entry into force of the Public Information Act and set the early priorities for the ICT development in the city and specified the short-term projects to be implemented first (2001-2003). The goals also included availability and cross-usage of primary state and local government registers, available ICT support for Tallinn's public management and the creation of an ICT infrastructure to support the aforementioned aims. From a business development point of view, the creation of the Tallinn Marketing Strategy 2001-2005 and the SME development plan were important steps. They determined three key target groups: residents, visitors, businesses/investors.

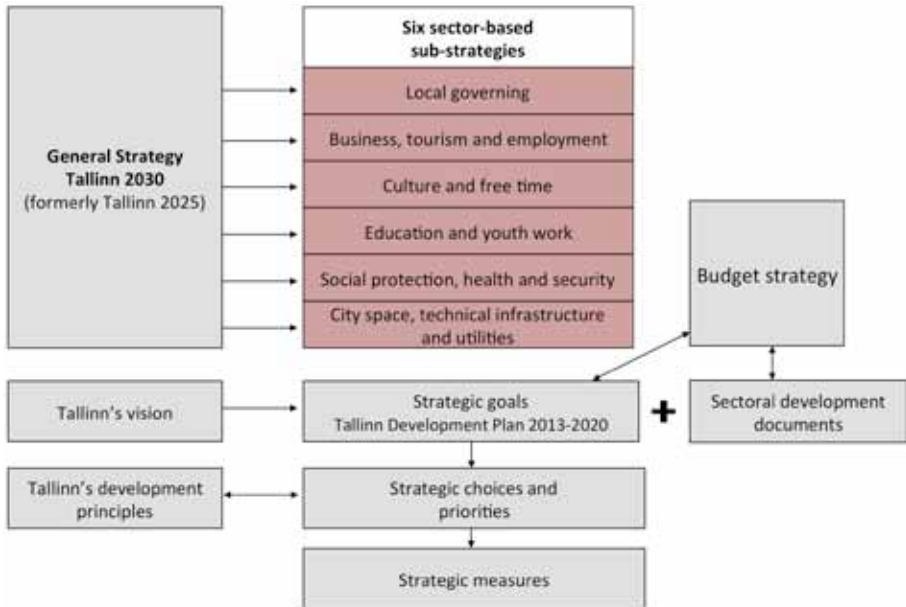
In 2004, a wider approach to city development was formulated in the long-term city Strategy Tallinn 2025 (now Tallinn 2030), with the main two overall visions: '**An active Tallinn**' (with a modern and developing economy) and 'A Tallinn of well-being' (pleasant living environment and social safety).

Since 2010, Tallinn's development is first and foremost guided by the city development Strategy Tallinn 2030 with its subsequent city development plans (short and medium-term). This is the city's highest ranking document, setting the city's six primary goals and establishing a vision for Tallinn for the year 2030:

1. Citizens of Tallinn performing local government democratically and purposefully – Tallinn with a knowledge-based administration and appropriate service culture and with effectively operating city institutions.
2. Efficient, required in labour market and well paid citizens of Tallinn – Tallinn with a highly productive economy.
3. Intellectually and physically active citizen of Tallinn – Tallinn with diverse activity opportunities and full of experiences.
4. Safely growing, versatility in developing lifelong learning for citizens of Tallinn – educated, capable and open Tallinn.
5. Protected and assisted citizens of Tallinn – Tallinn with managed risks and (socially) safe.
6. Citizens of Tallinn sustainably connecting and valuing home, work and rest – Tallinn with comfortable, inspiring and environmentally sound urban space.

A variety of stakeholders is included in the elaboration of the city's holistic strategic documents and development plans. All drafts of the development documents are disclosed on the city web page for a set period of time prior to their adoption by the City Council, and public discussions and consultation of the documents are carried out. This allows for the inclusion of citizens, but also interested non-profit and private sector actors. All interested parties are also welcome to submit their proposals to the draft documents, which are duly considered by the City. In many cases, in the process of preparing or amending important development documents, working groups are formed and meet regularly. These groups also include citizen representatives as well as experts from various fields, the non-profit sector, universities and the business community.

Figure 6.3: Tallinn's current strategy architecture



Managers' interests are aligned to the goals of the City of Tallinn by detailed operational plans, which break down the city's strategic objectives into operational objectives, measures and measurable indicators. The monitoring of the indicators ensures in turn the overall compliance with the city's general objectives and vision.

Finally, completed development drafts are presented to the City Government and if acceptable, they are forwarded for adoption to the City Council. The process in the City Council further allows for the inclusion of external experts via committee work. Therefore the process includes a wide array of parties: politicians, civil servants, representatives of citizens, the civil society, education and business sectors. Particularly for business development documents, there has been close cooperation with national business support structures and the business community. Since (a) business development is not a direct responsibility of local municipalities (different to other European local constituencies) and (b) the main source of municipalities' income is residents' personal income tax – thus businesses pay virtually no taxes to local budgets – it is a clear matter of political will to allocate funds and resources for the development of entrepreneurship and business support environment (innovation promotion, clustering, incubation, creative industries, etc.). Through bilateral meetings and partnership days the main demands, needs and cooperation possibilities were identified and formulated into projects and a first SME development programme. Motivation could also be largely derived from seeing first results of the implemented strategies and from getting feedback from private sector representatives.

THE JOURNEY

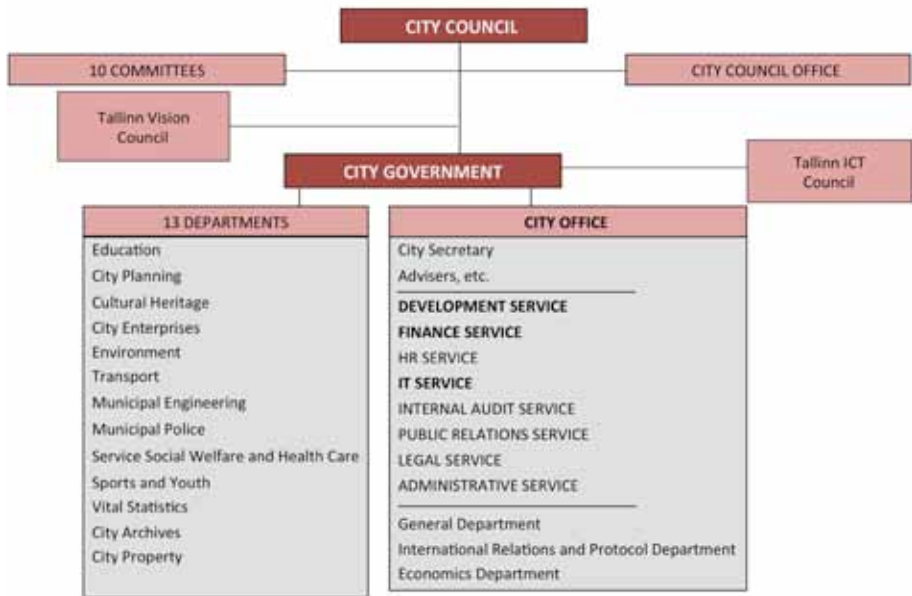
In order to make e-Government in general, and its e-Services in particular, a focus of Tallinn's progress, the institutional structures were adapted and specific responsibilities in the area of ICT were created. For instance, as an organisational innovation, Tallinn City Government founded in 2001 the Tallinn ICT Council as a permanent committee. The tasks of the Council are to coordinate the drafting and implementation of Tallinn's ICT strategy, to coordinate the activities of the city government and other city institutions to achieve joint goals in ICT development and to suggest new digital projects. Since 2001, the primary responsibility for ICT development has been in the hands of the Tallinn City Office IT Service. The service is, per its statute, responsible for coordinating city institutions' ICT strategies and implementing them according to city development plans and developing a joint ICT infrastructure for all city institutions. The Tallinn City Office is also responsible for the development of the city public services (and e-Services).

Another important organisational aspect was the foundation of the Development Service in 2005, which coordinates the city's strategic and development plans, coordinates and monitors the city's foreign projects, organises the work of Tallinn's EU office, as well as acting as a developer of centralised public services and managing the public service database. It has assumed a role as the coordinator for the city-wide strategic roll-out and creator of public services that extend beyond the competence of a single city board.

In order to work on the city's challenges in more depth, the City founded the Tallinn Vision Council in 2006. While it does not participate in the daily operations of the Tallinn administration, it is an important tool for city development, offering fresh insights and providing a forum for crucial discussions. Most of the council's members are distinguished scientists or experts in the various related thematic fields. Since then, Tallinn has held an annual Vision Conference to debate important development issues – the themes have been Tallinn's capital region, energy, transportation and culture. For instance in 2012, the issue was the revitalisation of aged residential districts, more specifically compact renovation (or rebuilding) of a 1960s residential area consisting mostly of concrete-panel flats. The setting up of this Vision Council is a good example of the long-term view of Tallinn's political leadership when it comes to city development.

The focus on ICT development was also possible thanks to the strong role of the Chief Executive Officer of the City Government, Toomas Sepp. He served (and is still in power) as City Secretary for several political governments and thus provided stability and the necessary continuity for such large scale endeavours for the last 15 years. In this context, the good working relationship between politicians and administration has equally enabled the successful implementation of many ICT developments.

Figure 6.4: Actors involved in strategy development in the Tallinn City Administration (in bold the main actors and drivers of Tallinn's ICT journey to excellence)



The interaction of the different actors can be illustrated by using the example of Tallinn's City Services One-Stop-Shop – one of Tallinn's flagship projects. Since 2007 this city web page gives citizens access to all direct and indirect city services (see also 'In Search of Excellence'). The database is based on three principles: accessibility – user-friendly interface, convenient and swift access; centralisation – all city public services are gathered in one place, and also managed from one place (Tallinn City Office), all services are standardised; and interconnectivity – the database is connected via X-road⁹ with the city financial information system SAP and the state databases, for example the Estonian Population Registry.

The One-Stop-Shop development project was led by Tallinn City Office in close cooperation with the City Departments and the City District Governments.

⁹ In Estonia, no central information system is developed for single-type functions, such as document management, accounting or data storage. All Estonian public bodies are autonomous in the development of their systems, but have to adhere to the national IT Interoperability Framework. For that purpose, the nationwide X-Road system was introduced in 2011 and is a tool which allows all decentralised Estonian databases and registers, both in the public and private sector, to interact, which makes integrated e-Services possible. It ensures that institutions are not tied to any type of database or software provider and enables common data processing operations like writing operations in the database, transmission of huge data sets between information systems, search function of data in different data sheets, possibility to provide services via web portals, etc. See <http://e-estonia.com/components/x-road>.

The development of Tallinn's local information systems was coordinated by the City Office's IT Service, while the responsibility for the functioning of specific e-Systems lay with the respective City Department or institutions, e.g. the Tallinn Sports and Youth Department, which is responsible for the functioning of the Sports Support Information System for the 'My Child in Sport Clubs' initiative; the Tallinn City Social Welfare and Health Care Department is in charge of the subsidy 'Independent from Income Module' – two good examples of this decentralised approach. Moreover, an e-Government Committee and separate formal and informal working groups were set up to discuss the improvement and enhanced accessibility of the respective services.

The IT infrastructure and e-Services were developed by and entrusted to two private companies: Andmevara AS (developer and host of the Estonian Population Registry and certain income subsidy modules) and SpinTek AS (developer and host of the Tallinn web page, etc.) who worked in close cooperation with the City Office's IT Service and the Estonian Informatics Centre. For the general development process of ICT services, the respective City Departments and working groups analysed the needs, requirements, costs and benefits of current processes, before placing an order with the private partners/suppliers for the technical details and planning. Once the technical plans were approved by the working groups, the project manager from the respective department and the contact person from the City Office IT Service were appointed, who would monitor the project implementation and results. At the final stage, the information about a new tool or upgraded e-Service level was included in the service card of the Public Services Database together with a user guide and link to the available e-Service.

Regarding the ICT exploitation and take-up, Tallinn has put great efforts into both inward and outward communication. The inward-directed communication includes thorough training and information sessions for the civil servants who will implement the new developments. The outward-directed communication includes public information, advertising campaigns via online advertising, city and district newspapers and introductory events for new ICT developments. An example of the latter is the participation in the state-wide e-Services Hour, introducing Tallinn's self-service environment and its usage via tablet PCs and smartphones to visitors of the City Office. Tallinn also has a dedicated programme on the municipal TV channel for providing information about city public services. These citizen-directed information campaigns are of great importance since, if citizens are not aware right from the beginning of the added value of the service, its take-up and continuation will be negatively affected.

Technological developments recently enabled cities and other administrations to process, store, and locate inconceivably large amounts of data and information in shorter and shorter periods. Yet the ability to transform data into 'relevant' information and services or to use technology smartly to reform the organisation is oftentimes ineffectively developed. Tallinn is a good example (in this field) of a constant renewal of problem-solving methods, service quality improvement and successful leadership communication.

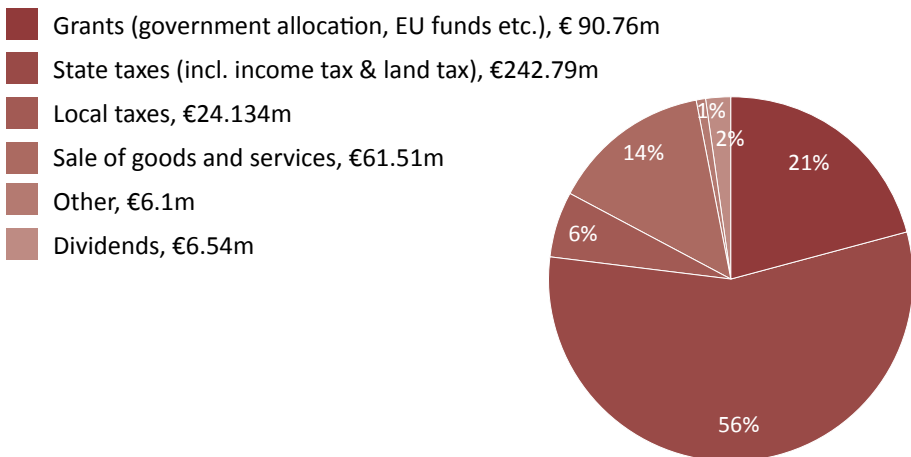
MANAGEMENT CONTROL SYSTEM AND FINANCIAL MANAGEMENT

Needless to point out that the global financial crisis also affected Tallinn and this certainly reduced the financial capacities (and budgets) for city investments and decreased the amount of possible development. The ICT budget followed the same curve. Nevertheless Tallinn applied development resources from EU structural funds and succeeded in continuing the development of city e-Services.

Thanks to a more favourable business climate, but also supporting measures, the unemployment rate decreased from its peak of 16.8% in 2010 to 9.7% in 2012, and the 2011 budget of €431.86 million nearly matched the pre-crisis budget of 2008, which amounted to €455.05 million.

Regarding the break-up of Tallinn's budget revenue for 2011, the biggest share, roughly 50%, was from personal income taxes (approx. 90% of the state taxes). The other main sources of revenue for the city came from local taxes (advertising, parking fees, etc.), income from property, sale of goods and services, dividends and grants:

Figure 6.5: Budget revenue in 2011



In 2009, the state government decided in a unilateral step to decrease the rate of personal income tax, which was allocated to local governments, from 11.93% to 11.4% (11.57% in 2013). As local governments derive more than half of their income from this allocation, it had a serious adverse effect on local budgets in the middle of the financial crisis. However, since the allocation of income tax to municipalities is based on the number of registered residents, Tallinn focuses successfully on attracting new citizens in order to counteract cuts in income tax. For this purpose, Tallinn started a campaign highlighting the benefits of being a citizen of Tallinn, such as free public

transport, guaranteed places for children in childcare facilities, etc. Since 2000 the main budget political objective of the city has been to keep the total net gain of the city positive before depreciation. The set objective was also fulfilled in 2011 with a total net gain of €36.76 million. Despite the city's surplus, the long-term debt has been increasing in the last years, reaching €235 million in 2011.

As explained in the introductory chapter, an efficiently and effectively designed management control system (MCS) embraces 'all aspects of local government's operations'. Tallinn's monitoring systems provide financial, performance and customer information in a transparent way. For instance, Tallinn's annual development monitoring reports give the next year's revenue forecasts, as well as the performance of development indicators, goals and amounts for expenditures from development documents and proposals sent by departments and city district administrations. In addition, monthly budget implementation reports are compiled which include an analysis of revenues and expenditures (including detailed book-keeping data, budget implementation data, cash flows, etc.). Special and more detailed reports to city executives are compiled when necessary. Executives also have access to real-time financial information through the ERP (SAP) system.

The 'unifying core of the MCS' of the City of Tallinn is based on their financial structures of accrual accounting, historical and performance-based budgeting processes. Moreover, classical budgeting principles like completeness, definiteness and uniformity are used. The underlying principle of financial policy is a balanced budget.

The planning of the budget follows a 'rhythmic cycle' and is compiled using both top-down and bottom-up methods. A master development plan (budget strategy) is compiled for four forthcoming years to focus on medium-term goals and is updated annually. Additionally, sectoral development plans are compiled in some cases such as public transport, education, environment protection, etc. To fulfil the goals set by the development plans, the budget strategy acts as the basis of annual budgets.

Based on the budget strategy, the City Government announces the expenditure limits to every department and city district administration. The departments and city district administrations provide their budget proposals to the City Government by 1 September according to the announced limits. The City Government then compiles the budget project and passes it to the City Council by 1 December at the latest. The City Council hears the budget matter in three hearings and has to approve it by 1 March. The draft city budgets are available on the public website for citizen consultations. Regardless of the deadline set by the legislation, normal practice is that the budget for the next year will be adopted and approved before the Christmas Holidays. Based on the approved budget, detailed sub-budgets will be compiled for departments and city district administrations.

In general, Tallinn's MCS and financial system are marked by a high degree of transparency as the (draft) city budget, city strategies, monthly cash-flow reports and annual financial reports are all available on the public website for consultation¹⁰. The 'integration' of Tallinn's MCS can be illustrated by the full compliance of the electronic Public Service Database (One-Stop-Shop), which gives citizens access to all services offered by the City of Tallinn, with Tallinn's SAP-based financial management system.

IN SEARCH OF EXCELLENCE

Tallinn has changed into an internationally recognised smart city – acknowledged in 2007, 2008, 2009 and 2010 by the Intelligent Community Association as being among the world's seven most intelligent communities. In 2011, Tallinn's City Services One-Stop-Shop project was recognised by EIPA and awarded an EPSA Best Practice certificate.

Tallinn has been a forerunner in many aspects of public services: m-parking, e-Government, public transportation (ID card), public internet access points, etc. Wide use of internet and internet-based solutions and the development of e-Governance were initiated in Tallinn, which is also 'home' of (laboratory) branches of Skype and Kazaa, and lately, Tallinn has become a hotspot for such tech start-ups. A great number of recently founded innovative companies have been able to raise venture capital funding, open offices in the UK and/or the US, employ tens of people and earn their first millions of Euros or Dollars.

In relation to the city development strategy, Tallinn 2030, Tallinn can demonstrate several success stories. In particular, ICT-based achievements have had a noticeable effect on the city development:

- **Impressive improvement of local government, service culture and effective institutions:** The city developed various integrated e-Document management systems, government session systems and legislation processing systems (see Figure 6.6), which facilitate the paperless organisation of government sessions, the entire electronic legal act drafting process, processing of documents and information for management and citizens. These integrated solutions led to a measurable increase of efficiency with respect to:

¹⁰ For the resources in Estonian, see:

<http://www.tallinn.ee/est/eelarve> - Tallinn City Budgets since 2000 and Budget Strategies since 2007.

<http://www.tallinn.ee/est/Tallinna-linna-majandusaasta-aruanne> – Tallinn annual financial reports since 2003.

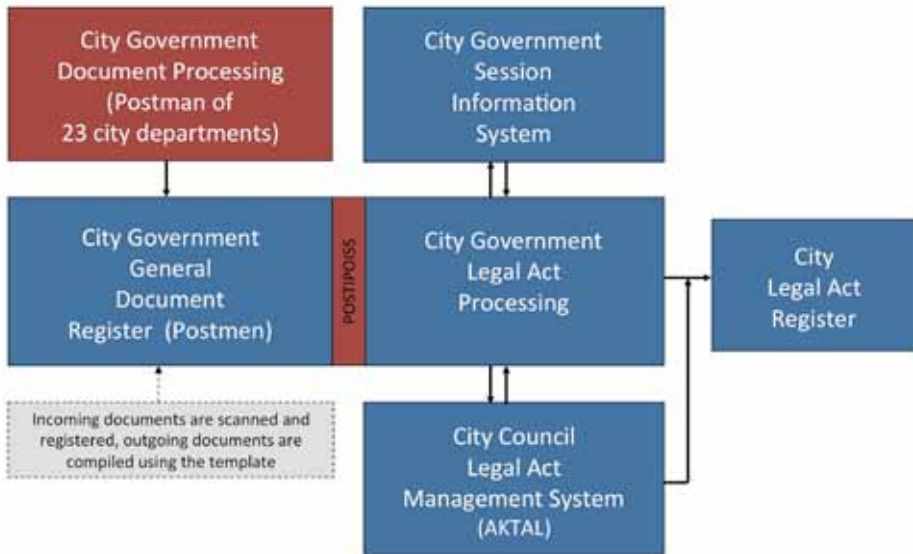
<http://www.tallinn.ee/est/Tallinna-linna-rahakaibe-aruaanded> – Monthly cash flow reports since 2005.

<http://www.tallinn.ee/arengukava> – Tallinn's valid development documents, incl. city development strategy and development plan.

<http://www.tallinn.ee/est/otsing?sona=11185> – General financial information.

- the reduction of copying costs (normally 1000-15,000 copies were printed for each session, with 5-7 annual sessions) to zero;
- the decrease of delivery time, which is now 3-5 days instead of 15-30 days.

Figure 6.6: Tallinn's Digital Document Management System



Regarding the strategic objective of providing a modern IT infrastructure, Tallinn started creating free Wi-Fi areas in the city since 2005, currently counting 353 public Wi-Fi hotspots, out of which 30 are free of charge and provided by the city.

- **Tallinn City Services One-Stop-Shop:** In view of providing a wide range of e-Services to people, the One-Stop-Shop on the Tallinn web page allows citizens to access all direct and indirect city services (a total of 560 services, 200 of which are payable with more than 5500 price articles) since 2007. These are described in the database on uniform service cards, containing information about service provision, costs, application and respective legal acts. The types of services include information services (e.g. bus lines), basic services (e.g. schools, nurseries), application for allowances paid by the city budget (e.g. child care allowances), permits/approvals (e.g. construction permits); fees/payments to the city and registrations (e.g. birth registrations). In the case of fully interactive 5th level e-Services, citizens can apply for this service directly in the database, with a pre-filled application already available for the user upon authentication. Users can authenticate themselves either by using their ID card, their mobile ID or an internet bank link.

The service quality indicators for setting up the e-Services are easy usage, flexible service access and completion time of the service request. For example, completing the request for childbirth allowance now takes approximately four minutes, while the same request previously took four to seven working days because of required documents from different national and local institutions. Setting up the One-Stop-Shop increased the efficiency of the Tallinn city administration substantially as it resulted in significant savings in terms of costs and time for the city as well as for citizens.

Concrete statistics regarding the One-Stop-Shop in 2010 are:

Figure 6.7: One-Stop-Shop achievements in 2010

Totals		Number of e-Applications for Services	
5487	newborn children	464	e-Applications for the childbirth allowance
3455	first-graders	1034	e-Applications for allowance for first-graders
2282	persons with disabilities registered in sports clubs	1843	of these were e-Registrations
20,035	children registered at sport clubs	19,489	registered by the e-Channel 'My child in sport clubs'
92,500	retired people registered in Tallinn	2734	used e-Services for their retirement allowances

The One-Stop-Shop is in constant development, with the latest additions being implemented in spring of 2012 (SMS notification system, payment portal for bills and city services and city services map application).

In a nutshell, it is a bold example for Estonia's smaller municipalities in establishing standardised service portals and service classification. The service card has been used by the Estonian Ministry of the Interior as a basis for a sample solution for other cities and rural municipalities.

- **Enterprise and scientific (joint) development at its best:** Tallinn is one of the founders of the Tallinn Science Park Tehnopol – a research and business campus for start-ups and developing businesses in the immediate vicinity of the Tallinn University of Technology, the e-Government academy and the IT College, well-known academic and scientific centres of excellence. Over 160 companies currently operate in Tehnopol (employing approx. 3200 people) and it is also Estonia's largest business incubator for start-up technology companies. The creation of the Mechatronics Innovation Centre with the most modern flexible

manufacturing system in Europe significantly improved Tallinn's participation in research activities, programmes and procurement in the fields of the automotive industry, aeronautics and astronautics. Important support services for start-up companies are provided by two additional business incubators (Ülemiste and Kopli) and a new incubator launched for creative industries.

Furthermore, Tallinn is an active partner in various networks like the Estonian ICT cluster or the Finance Estonia cluster, which support the cooperation of ICT companies and businesses from other economic fields or the creation of private and public sector cooperation in the area of financial services.

- **Sport, leisure time, culture, etc. 24hrs:** Tallinn has developed the electronic Tallinn Card, an all-in-one ticket for tourists that is accepted in over 100 locations. This includes city museums and sightseeing, public transport, leisure activities, etc. In addition, and for a similar purpose an electronic ID card-based ticket system has been launched for Tallinn citizens, also including sports facilities (swimming pools, city zoo and botanical gardens, etc).
- **Innovative (free) public transport:** Based on the same ID card as the cultural and recreational services, the public transport ID ticket is by far the most popular form of public transport. It was used 873,326 times in 2010. Since January 2013, a contactless ticket system has been in place and free public transport is provided to Tallinn citizens. This initiative not only increases Tallinn's attractiveness for citizens, but also substantially increases the usage of public transport, decreases car traffic and thus makes Tallinn a more environmentally-friendly city. Many of the great improvements to the city public transport system have been achieved through European projects.

Other ICT-based success stories in the area of transport are the SMS-based parking system (mobile parking used 1,319,009 times in 2010) in the paid parking zones, a public transport real time information system in bus stops, the creation of a public transport communication system, a public transport priority system. The prerequisite for the successful shift to free public transport was the implementation of the contactless public transport card.

- **ICT-supported solutions throughout the entire educational lifecycle:** As indicated earlier on several occasions, ICT plays an important role in the educational and academic system in Estonia. One of the last 'products' is for students in city schools to get their homework assignments in the e-School system, while their parents can view their children's grades online.

In summary, while the initial changes, especially the rapid development of the digital document management systems in the early years of the previous decade were radical, later changes have been more incremental. The city has achieved great success with the development of the One-Stop-Shop and its add-ons. However, despite the accomplishments of Tallinn's ICT-enabled services and the large coverage of access

to internet (79.1% of households in Tallinn had internet access in 2011; 25.2% of households without internet access responded that they could have access elsewhere), the digital divide still poses a threat. It risks leaving the most vulnerable social groups, such as elderly people or economically vulnerable layers of the population out of the system. Practices reviewed in the EPSA schemes have shown that this issue can be tackled by providing users with diversified channels of access and with a good mix between new (online) and traditional (offline) systems.

Tallinn's achievements provide the basis for strong further development. Therefore the city currently focuses on an expansion of its successes, for example, looking into possibilities to extend the usage of the contactless card into cross-border interoperability (Helsinki, Riga, St. Petersburg) and also beyond public transport into other city services. Further developments are also planned for the public service database, the first among them being mobile applications or the smart TV-based services for the elderly to enhance the reach and inclusiveness of services. Finally, in terms of business development, the coming period will be more focused on targeted investment attraction and specific projects in priority areas, such as the most successful clusters in ICT and logistics. To this end, more cooperation and networking will be needed in entrepreneurship support and promotion.

INNOVATION POWER

A number of enablers have had an essential impact on Tallinn's development into a smart and technology-driven city. The strong focus on ICT-enabled solutions and service delivery of Tallinn was substantially brought forward by national priorities and existing structures in ICT (for example the State Portal and ID card) and transparency aspects. Tallinn's innovation regarding the favourable national conditions consisted of fully implementing and exploiting the entry into force of the new Public Information Act in 2001 and using it as a catalyst to push the city's own (ICT) development.

A key factor for Tallinn's excellence has been political stability and administrative leadership. Since 2005, the city has been governed by the same coalition, which has enabled the city's rapid development and also the implementation of many key ICT features. In addition, Tallinn's Chief Executive Officer, who has been in office for the last 15 years and provided continuity to Tallinn's development, played a significant role. Tallinn's modern and effective public management of the city organisation and implementation of best practices of other cities presents further key criteria of success. Further enablers were flexibility, fast adaptation to companies' needs and facilitation of supporting services; a continuous focus on key areas (e.g. ICT, machinery, mechatronics) – areas which contributed substantially to the development of Tallinn; areas which have seen rapid growth in productivity and markets; and areas where the development has had a major influence on other economic activities. In line with prioritising, the allocation of the necessary resources was crucial for coherent and well-targeted city development.

Further beneficial and change- and technology-supporting factors may be the relatively small size of Estonia (with smaller and less risky projects) and the relatively smaller national wealth combined with the advanced infrastructure (e.g. ID card, telecommunications, electronic banking, etc.). Estonia's relatively 'young socio-economic structure might also be less reluctant to new ideas compared to countries with long [administrative] traditions and historical habits¹¹.'

The main elements of innovation (power) in the case of Tallinn are:

**Interconnectivity
of ICT-enabled
solutions linked
to re-engineering
of the back-office**

Tallinn's excellence can clearly be seen in the interconnectivity and ICT-enabled solutions, which are supported by a powerful national structure and equally smart integration of local structures (for example the interconnectivity of Tallinn's financial system and the One-Stop-Shop, which ensures constant updates of the systems). High efficiency gains were achieved in internal working processes through the introduction of integrated electronic document processing and management systems, as well as via the interconnectivity of services for citizens via the One-Stop-Shop and efficient back-office processes. Tallinn's enhanced efficiency in organisational processes is a valuable example for the current tendency in public management reform to improve internal processes with the help of ICT-enabled solutions. Optimising back-offices by reducing the administrative burden and simplifying processes also improved the image of front-offices because of the resulting better service delivery for citizens.

**Large-scale
e-Government
development**

The quantitative performance of ICT-enabled solutions and the width of e-Services are impressive in Tallinn. Connecting ICT standardisation with good quality service delivery is not easy, but has been achieved by Tallinn, which shows a clear mastery of IT-related issues. The provision of 560 e-Services, many of which are fully-fledged 5th level services covering a broad range of functions from information to permits, is remarkable. Moreover, the take-up rate is excellent in some areas like in the 'My Child in Sport Clubs' initiative, for which 97% of all registrations were received via the e-Channel.

¹¹ Pärna, O. and N. von Tunzelmann, 'Innovation in the public sector: key features influencing the development and implementation of technologically innovative public sector services in the UK, Denmark, Finland and Estonia', *Information Polity*, 12/2007, p. 123.

Needs of its citizens first and stakeholder-centred governance	<p>Tallinn's recipe for progress and growth is to offer both a pleasant living environment and an attractive destination for visitors and investments – using ICT as an enabler and as the special ingredient to achieve this.</p>
Transparency above all	<p>The high transparency in designing Tallinn's strategy and development plans and drafting the annual budget also places citizens, non-profit and private sector actors and other stakeholders at the heart of decision-making processes and enhances collaborative governance and joint ownership.</p>
Innovative and decisive political leadership	<p>Political leadership and support has been particularly important not only for the focus on ICT-enabled solutions in the government, but also for business orientation and development, the dialogue with private actors and enhancing its overall competitiveness, taking into account the fact that business development is not stipulated by law as a task of local municipalities in Estonia. The case of Tallinn serves as a valuable example where political priorities create new opportunities, even beyond the usual scope of municipalities. The introduction of annual Vision Conferences is an excellent example of creative and forward-looking leadership regarding the city's future challenges.</p>

SUSTAINABILITY THROUGH STRATEGIC THINKING AND ACTING

City of Tampere



City Portrait

INSTITUTIONAL FRAMEWORK

The State administration of Finland is organised in three levels: a state (central) administration with regional and state local administration dependences and the local governments (municipalities) forming the basis of Finnish democracy. Powerful self-government in the municipalities has a prominent role. Municipalities are in charge of providing their residents with statutory basic services, in conjunction with the state participation. Municipalities have a wide range of competences and high capacities of decision-making. Their activities can be distinguished as follows:

- Social welfare and health, education and culture, the environment, and technical infrastructure. These basic municipal services are provided to residents with fundamental security, it is the basis for everyday living and a social safety net.
- They are mainly financed through municipal taxes, central government transfers to local government and fees charged for services.

The local administrative structure has recently been modified with 'The Act on Restructuring Local Government and Services (169/2007)', known as the Paras project launched in 2005 and which came into force in 2007. The main goal of this process was to create a sufficiently solid structural and financial basis for services for which municipalities are responsible, in order to secure high-quality welfare services in the future equally for all parts of Finland. This process is having an impact on the organisation of local services for the whole population, their funding and the division of labour between central and local government. Thus, local governments dispose of a high degree of financial autonomy. Tampere, for example, obtains roughly 60% of its revenues from local taxes.

The Municipal Council of Tampere is formed of 67 councillors. It is in charge of appointing a Municipal Board, which is responsible for the daily and operational running of the local administration and its finances. The Council also elects the Mayor, who is subject to election by the Board and who chairs the Board. The four Deputy Mayors are not members of the city Board, but they chair committees set up on the basis of the client processes in reference to their 'mayoral' and purchaser-provider model. In fact, Tampere was the first Municipality in Finland to have had a politically elected Mayor, since the formal change in the Mayor's electoral system in 2007, and four Deputy Mayors.

The current composition of the Municipal Council, taking into account the latest electoral results from October 2012 is:

- 17 NCP National Coalition Party (conservatives)
- 16 SD Social Democratic
- 10 The Green league
- 9 True Finns
- 7 The Left Alliance
- 3 The Centre Party
- 2 The Christian Democrats
- 1 Independent groups
- 1 Communist party of Finland
- 1 The Swedish People's Party

The current Mayor is Anna Kaisa Ikonen of the National Coalition Party.

There are 22 municipalities in the greater Tampere region and eight municipalities in the Tampere city region (Kangasala, Lempäälä, Nokia, Orivesi, Pirkkala, Tampere, Vesilahti and Ylöjärvi). As a consequence of this agglomeration, there are approx. 490,000 inhabitants and it is the second largest region in Finland based on population. The City of Tampere has a population of 215,000 inhabitants and has experienced a steady growth in terms of population numbers during recent decades. Foreign citizens make up 4% of the whole population.

The annual budget of the city amounts to €1354.3 million in 2011 and the average income per citizen in Tampere was €25,451 in 2010.

SOCIOECONOMIC STRUCTURE AND MAIN INDUSTRIES

Tampere is one of the three most rapidly growing regions in Finland. Today the city is well-known for its high tech and extensive know-how resources in various fields. In addition to this core type of industry the city is also the host of several traditional industries and products. In total, approx. 17,500 enterprises operate in the territory including multinationals such as Nokia, which employed up to 2000 staff. Moreover,

Tampere has a high rate of start-ups registered as a proportion of existing companies (13% in 2010), as well as enjoying a high innovation index¹. 'Rovio', an entertainment company and the developer of the well-known 'Angry Birds' video game franchise runs a game development studio (laboratory) in the city and is a very good example of a young, technology-driven and globally successful firm. Other relevant businesses are for instance 'Sandvick' which develops mining machine tools; 'Desec' which builds machines for railroads, or 'Oseir' and 'Ata Gears' among others. All of these are a bold sign of entrepreneurship in the city.

The city is also increasingly known by its cultural values and activities (theatre, music and sport) and is host to the largest congress and cultural centre in the Nordic countries, called Tampere-talo. One of its well-known tourist attractions, the 'Särkänniemi theme park', has an area dedicated to Angry Birds. Moreover, there are two high-quality university and polytechnic centres – housing one of the world's most successful educational systems – with relevance in knowledge, research and technology development. Around 29% of the population hold a tertiary degree and 38% have completed upper secondary education. Environment is another sector that must be mentioned. Not only is the city committed to priorities such energy consumption, greenhouse emissions, etc., but several companies furthermore commit and contribute to these environmental agreements.

Nonetheless, the biggest 'industry' of the Tampere region is the city public administration, together with the national defence and education, social and healthcare services forming a sector which employs 44,000 professionals. The city itself has 14,000 public employees.

BACKGROUND

Tampere is the third-largest city in Finland and is also the largest inland city in the Nordic countries, as well as being a traditional centre of Finnish industry and a knowledge city. The current context is the result of profound changes that took place at the end of the 1980s and in the beginning of the 1990s. The city had a strong industrial background, which was focused on traditional businesses dependent on exports such as the important textile and footwear industries. Those industries collapsed simultaneously with the Soviet Union, resulting in an economic recession. The drastic external factors forced Tampere to endure some structural changes – typical to cities reliant on export businesses – in order to pave its way forward.

¹ See Kankaala, K., *Tampere, Innovative and Interesting*. Presentation at the EUIMA Workshop February 2011, downloadable at http://www.eua.be/Libraries/EUIMA_Collaborative_Research/3-Kankaala-CityofTampere-EUIMA-CR-WS2-OS-P3.sflb.ashx and Centre for cities, European comparator city report: York, 2012 Downloadable at http://www.centreforcities.org/assets/files/2012/12-03-20_York_European.pdf.

Naturally, it was not an easy task to go through structural changes during a first ‘journey’ starting in the nineties, which would imply profound changes for and in the society. There was a strong conviction that all the solutions had to be found in relation to the ‘external’ problems arising from the circumstances of the surrounding society. The need for change arose due to many simultaneous issues (e.g. demographic challenge, decreasing number of employees and number of jobs) occurring at the same time; decisions were taken in order to balance both, the finances of the city and to find shared objectives to overcome these challenges for its population. The first exit strategies were formulated, although the role of the City Council was merely to accept rather than to create them.

Only in early 2000 did it become possible to focus on its own model of development (‘internal willingness’), after the most drastic social changes had been dealt with (‘external pressure’). A first holistic strategy was launched, i.e. ‘Tampere – Working Towards Excellence’. This strategic paper tackled several challenges that were affecting Tampere, e.g. to re-direct growth for the city and to face the impact over the environment load. Population ageing and their specific needs required a rethink for the city, which also applied to the public administration itself facing an accelerated retirement of municipal personnel. The global financial crisis, recession and unemployment are other challenges that needed to be faced in this and the subsequent strategies.

STRATEGY AND OBJECTIVES

Finland generally has a long-standing tradition of designing and developing (holistic) strategies. Its energy and knowledge for embarking upon ambitious strategy plans are also marked by following them up with concrete actions. Tampere is not an exception, although its first formal and self-generated strategy was developed (only) in 2001 as mentioned before. This experience apparently resulted rather positively and as a consequence, before entering into a new city office mandate in 2009, a new strategy process was launched based on a self-assessment. The City’s SWOT – at the time – is illustrated in the Figure 7.1.

Figure 7.1: The simplified SWOT analysis of Tampere

	HELPFUL (to achieving the objective)	HARMFUL (to achieving the objective)
Internal origin (attributes of the organisation)	<ul style="list-style-type: none"> • Location and connections • Increasing population • Industrial structural changes • High-standard education and active cultural life • Perception of a good and safe city • Active attitude towards development 	<ul style="list-style-type: none"> • Relatively high rate of unemployment • Poorly known city at international level • Traffic problems such as traffic jams in the communication with the city centre

	HELPFUL (to achieving the objective)	HARMFUL (to achieving the objective)
External origin (attributes of the environment)	<ul style="list-style-type: none"> • Lots of innovation and small enterprises in technology 	<ul style="list-style-type: none"> • High dependency on one big enterprise: Nokia • Changes in population structure suppose changes in service needs with differences among neighbouring municipalities • Weakened employment situation and tight economy • Modified environmental requirements

In short, the issues that motivated Tampere to launch a new strategy originate mainly from the changes of the city’s environment as outlined above. There were also changes in the political power relations after the communal elections of late 2008 and there was thus a need to focus and clarify the strategic vision of the new regime and to create common grounds for cooperation.

The Tampere City strategy for 2020 ‘*Tampere Flows*’ had a clear vision based on a ‘big city of smooth living responsibly leading development’. It sees itself as ‘a popular and vital city to live in and visit’. A smooth functioning of services, city structure and traffic, as well as the pleasant and safe living environment ensures a good quality of life. Tampere is a growing city and the greater region was to be built as one entity following the principle of sustainability and environmentally responsible choices.

The strategy name recalls the water that surrounds and crosses the city. Similarly, the name also describes the ‘flows’ of people and economy, as well as the immense flow of information, innovation and creativity in Tampere nowadays. This flow will continue to move in a vibrant and flexible way – this is the kind of city that Tampere wishes to be.

In order to achieve this, four strategic perspectives are embedded in ‘Tampere Flows’:

1. **Citizens and wellbeing:** Focus on preventive action and customer orientation and in the strengthening of the citizens’ functional ability, communality and pluralism.
2. **Vitality and competitiveness:** Focus on increased attractiveness, internationality and continuous renewal.
3. **City structure and environment:** Focus on a coherent city structure and curbing climate change.
4. **Internal activities and management:** Focus on good management, increasing productivity and stable finances.

These strategic priorities are then translated into more specific objectives and related specific indicators. Tampere Flows includes 12 strategic long-term objectives and 44 short-term targets. The funding for concrete actions to implement the targets is allocated and decided upon on an annual basis and forms part of the city budgeting process (see details hereto later on).

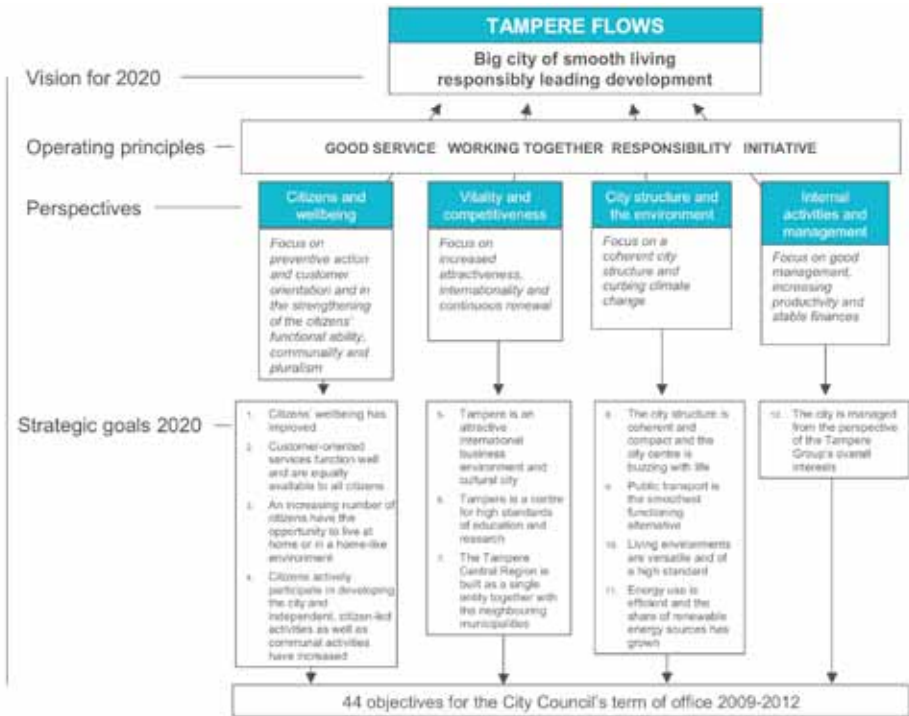
The strategy was created by the City Council in interaction with other committee members, chief shop stewards, municipal office holders, interest groups and citizens. Contrary to the normal functioning of the Nordic culture, the city leader, Mayor Timo P. Nieminen, and other leading politicians across the political/party 'colour', administration board members and senior agents, played a fundamental role in this process. Their personal commitment and leadership have been the main grounds for embarking on and producing such changes. Although this process appeared to be a rather top-down driven approach with clear leadership, guidance and steering, evidence also shows that a wider discussion and consultation ('bottom-up') also took place in order to boost credibility and ownership.

Having said this, the design of the strategy and its revision (in 2009) contained a variety of involvement and participatory actions such as the three City Council seminars: 'the future seminar'; 'the strategy seminar'; and 'the objective-oriented seminar'. Those activities were attended by other committee members, chief shop stewards and municipal office holders. The draft of the strategic document was produced by the City Board's planning section, the Tampere Group's executive management team and the strategy-working group appointed by the Mayor. Interest groups such as companies, universities, chambers of commerce or associations were consulted during this preparation phase. In addition, opinions of citizens and other public personnel were mapped through internet-based questionnaires. This e-Participation process ensured the chance to take part more directly and comment in such decision-making, to search and reach for a wider legitimacy, as well as being concluded in a democratic way, thus promoting both trust and cooperation.

By accepting the strategy formally, the Council confirmed that the strategy is the most important and highest authority document of the city and that it is implemented through a strategic operational system (which includes purchasing strategies of the committees' and the city budget). To this end, the strategy is the official basis for all city activities.

Figure 7.2 shows the result of this strategy formulation and outlines the 'inside' of Tampere's most important and highest authority document, (see more in the next sections), the perspectives and its strategic goals to be accomplished by 2020.

Figure 7.2: Tampere Flows strategy



THE JOURNEY

'If in doubt, then innovate', was (and still is) probably the overarching philosophy of the City of Tampere's leaders when in 2007 the city officially launched a new 'Tampere Flows City Strategy' and its brand new and revolutionary organisational and managerial model for the organisation. This administrative reform can be described as historic and begun already in 2002 with its preparation. At a glance, it consisted of a new model of leadership with a political elected mayor and a new architecture of purchasers and providers in all municipal operations, in order to evaluate the service needs and select appropriate means of production as well as services that can be provided both by city's own service provision, or by external companies or communities.

The city administration of Tampere is organised with a central administration, which is in charge of finances and the strategy, apart from administrative and human resource tasks. For the delivery of the various elements (and related services) of Tampere's 2020 Strategy, a very specific organisational model has been created, consisting of a purchaser-provider architecture which was introduced in 2007, at the same time as the Mayoral model.

The new management model is the result of a multi-dimensional need for change taking place at the same time. It was built to solve the shortcomings and weaknesses of the previous model which had been used over the last 20-30 years. A combination of both internal willingness and external pressure, two factors that were taken into account, should be the (organisational) response to the current and future challenges. Needless to say, that the whole organisation changed in a drastic and radical manner. This type of change was exceptional and not very common, not even in Finland or other Nordic countries. Mr Nieminen, the Tampere Mayor convincingly started the steering process of the city strategy by establishing seven purchasing committees (the 'political' body), seven directorates for welfare services and eight directorates for municipal corporations (management for business activities), which are the subsidiaries and providers (the 'service/management' body).

The purchaser-provider model is very much private sector-oriented and based on customer service processes. This means that external companies and communities provide services alongside the city's own service provision. It requires a detailed and clear description and productisation of all the public administrative processes as well as a confident and trust-based cooperation between the purchaser and the service provider side. The system is steered by contracts and is developed in order to support the creation of service innovations, a larger spectrum of service providers – to promote effectiveness and efficiency – as well as a smooth cooperation between the service providers. The city ensures the availability and quality services for which it is responsible, regardless of the manner in which they are produced.

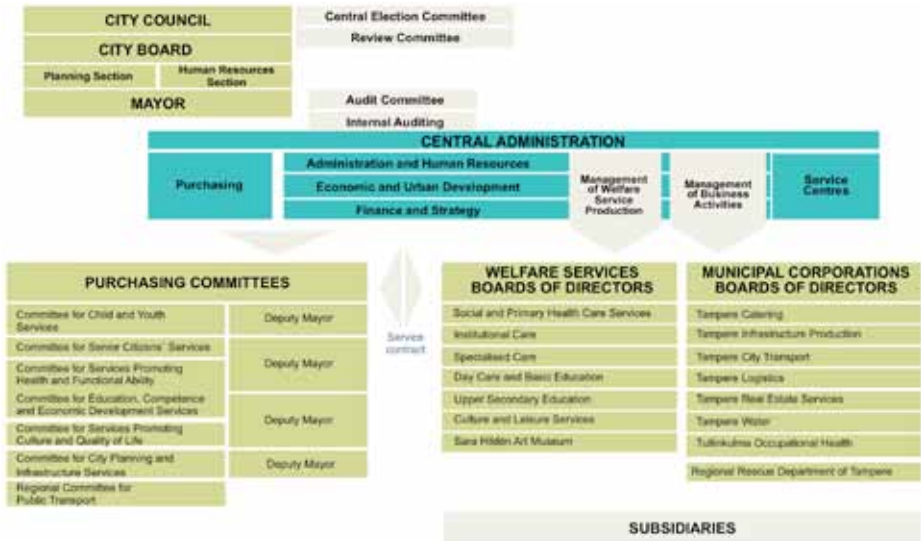
To this end, it followed some clearly defined operating principles which ruled the entire process, and the following units to achieve the strategic goals:

- **Good service:** Professional manner in the service delivery, providing services at the right time and place; to be developed together with the citizens.
- **Responsibility:** Acting economically responsible with the use of resources. The actions promote equality for the wellbeing and safety of all citizens.
- **Working together:** The activities are carried out in networks taking into account what other units do. Moreover citizens are encouraged to participate and take responsibility in local communities.
- **Initiative:** New ideas and innovations are always sought in order to improve creativity.

Tampere's purchaser-provider model was implemented incrementally and prepared over the years. Without a doubt, a strong will from both the politicians and the city officials was the determinant in establishing such a brave 'journey' towards change. All the changes happened to be well-considered and conscious choices for a better future.

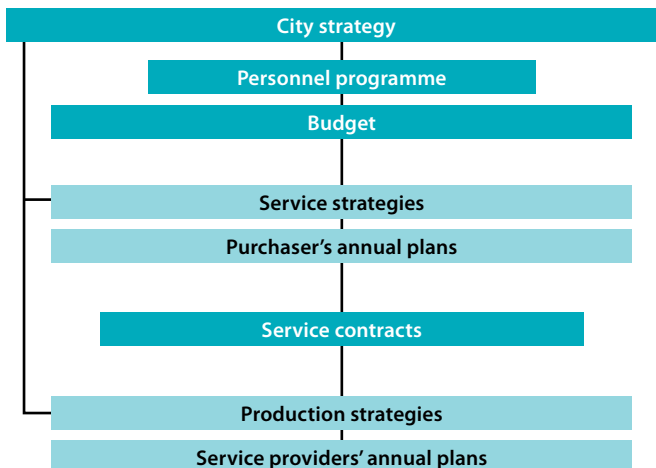
Figure 7.3 illustrates this new, complex and rather 'revolutionary' organisational management model that Tampere has implemented in the city administration for its strategy delivery.

Figure 7.3: Purchase and provider model



Departing from a strategy perspective, all the priorities are implemented alongside annual budgets. The binding operational objectives are determined on the basis of the strategic goals set in the city strategy. The City Board’s strategic planning department elaborates guidelines, emphasising some key messages to the citizens. This also determines the relationship between the city strategy and the services strategy. Whereas the City Council manages the central objectives, the service strategy contains more concrete objectives for each core process and linked budgets. As shown in Figure 7.4, Tampere’s purchaser/provider model has a specific mode/flow of operation.

Figure 7.4: Operational model



As visualised above, the system includes service strategies, each one of these documents set the concrete guidelines for where the services are to be purchased. The objectives are defined annually in the purchaser's annual plans and their implementation is monitored three times per year. Service contracts are the basic tool for steering the service purchasing, and they also function as a cooperation instrument for the purchaser and service provider. Another relevant point is the production of the strategies which are approved by the Boards of Directors. These are instruments of strategic management of the several production areas and municipal corporations and contain the key methods for developing production strategies, which respond to city strategy and services strategies. Finally, the service providers' annual plans specify the measures by which production strategies and service contract are implemented. All these operational plans are linked with the documents of the strategic management system.

The staff members themselves play a decisive role in this consensus-based approach to management and hold responsibility for the sophisticated model. Performance discussions in which the managers discuss with their subordinates on a periodical basis the objectives, progress, results as well as corrective actions if needed to support this model. Several other initiatives and activities are undertaken in the same line:

- The existence of Personal Score Cards which include personal objectives which are derived from city strategy and manager's objectives.
- There are workshops related to education, aiming to link the focus of the strategy to implementation for the personnel.
- In terms of promotion, magazines, in-house newsletters and intranet are some of the channels used to promote and disseminate the various aspects and ingredients of the strategy.

Periodical strategic and financial reviews accompany the whole process; they are reported and sent to the City Council, whose monitoring takes place three times per year in order to detect possible deviations. It concludes in an evaluation review once per year.



A good and concrete example of how 'Tampere Flows' works in practice is the Eco-Efficient Tampere 2020 (ECO2) strategic project that has as its main goal to implement climate and energy objectives in the city. This programme is linked with the strategic goals 'City structure and environment' and coordinates as well as

supports energy and climate actions of the different departments. The main objective of the programme is to decrease greenhouse gas emissions and become a forerunner in climate policy. Several concrete actions are being carried out, such as pilots on passive energy construction, increasing the number of renewable fuels and renewable energy pilot projects, or increasing use of public transport, walking and cycling. ECO2 is thus a showcase of how Tampere Flows involves and introduces other projects beyond its own framework, and it is selected and supported by Sintra, the Finnish innovation fund.

GOOD LEADER(S) OR LEADERSHIP IN 'TAMPERE FLOWS'?

'The exercise of leadership involves a task to be accomplished and people to do it. These two concerns are independent; one can't without the other².' To this end, Tampere's Mayor has played a significant role in leading this new approach. Mr Nieminen had a lot of knowledge of and a long-term experience in politics at the municipal level thanks to occupying several positions (i.e. being a leader or manager). Before being elected as Mayor, he for instance chaired the City Board for more than 10 years. He is known for his method of influencing via direct discussions with staff and guiding the process silently towards the right direction (managerial behaviour). In this context, he demonstrated his willingness to have conversations with the various actors, listen to different opinions, value them carefully and incorporate them, or if adequate look for alternatives. His leadership is a good example of balancing a passion for new (models) with an ability to take the long view while implementing highly valuable actions. On the other hand, there is no doubt that the other administration members also had a prominent role in the strategy definition; the communication among the various actors was a successful key to the whole process.

Throughout the process modification of the model occurred and discussions took place. According to several interviews held with city managers and officials, there were risks in delivery, which came from the potential political opposition and the refusal to commit to change by public officials. In addition, effects of uncertainty produced by large-scale changes had to be taken into account. The experience showed and pointed out the importance of openness and communication during a conduct of change, not only with the city employees but especially with the citizens and the businesses affected.

To this end, there are still examples such as the first planned model that did not work in the beginning for the welfare services and as a consequence had to be cancelled and refreshed. Also certain roles to play between the politicians and the boards are still somewhat unclear and do cause uncertainty. To overcome these risks or bottle-necks, the organisational model is under constant processing and changes can be made where and when needed.

² Blake, R.R. and J.S. Mouton, 'A Comparative Analysis of Situationalism and 9,9 Management by Principle', *Organizational Dynamics*, 10/4, Spring 1982, p. 24.

ICT played a part in creating, implementing and application of the new organisational model. However, its role will be more important in the future. Tampere has developed several tools and programmes, such as e-Citizen II, which has the aim of improving interaction between citizens and public authorities, better involving citizens in local decision-making and contributing to change in operational culture and attitudes within public administrations.

MANAGEMENT CONTROL SYSTEM AND FINANCIAL MANAGEMENT

Tampere's changes in its public/political managerial model have heavily influenced the way the strategic work is done. As initially mentioned, the aim of renewing this architecture was to develop high-standard and efficient services. The strategic work is strongly connected with the city organisation, and in order to see these forces in action, severe (financial/ budgetary) resources are needed as well as a well-functioning financial management and control system.

Tampere's total annual budget in 2011 was €1354 million. Almost 60% of the revenue comes from taxes. The budget expenditure covers personnel costs with approx. 44% of the budget and the purchases and services amounting to 39%. Operating costs meant 89% of the expenditure, while investments were calculated at 10% of the total expenditure. A relevant note is for the type of investments made, i.e. the majority of them are on tangible assets such as buildings, installations and equipment.

From the congruence point of view, the objectives set by Tampere have to be reached in a sustainable way, taking into account a balance in the city's finances. Those are dealt with in a systematic, transparent and predictable system. All the procedures are done in order to ensure an adequate internal financial framework and to maintain the investments, a financial model requiring and using the partnerships.

The budget is made up considering a general starting point (i.e. the operational environment, finances, structure, personnel), followed by the strategy guidelines and its priorities as well as the income and expenses of the various operational units. A framework budgeting is then applied, i.e. the City Board allocates money available in advance as a financial frame. The departments may then plan their operations with the allocated resources based on the principle of equilibrium (i.e. no planned budget deficits allowed) and completeness (i.e. all the known income and expenses are included in the budget), the no netting principle (i.e. a gross basis is applied for all income and expenses), the annuality principle (i.e. the budget is prepared and accepted for a calendar year according to the Local Government Act) and the universality principle (i.e. tax revenues and state subsidies are not earmarked for certain expenses in advance).

The decision-making process to agree on the city's annual budget has several aspects to consider. The executor of the budget process is the central finance department. The process is decided by the City Council which is the ultimate decision-maker.

The budget negotiations generally start in April and finish in November when the budget is approved. For this, the City Board defines the budgetary limits for each purchasing committee, which allocate resources to the different services. Specific information is taken into account for the decision-making process, such as demographic trends, economic and social indicators and forecast, migration, revenue bases (taxes and state grants) and the needs for services detected from the analysis. These figures and information influence the calculation of the estimated income in the following years (i.e. tax revenues and state subsidy for municipalities) and what services will be needed/requested.

Regarding the launch of new projects, those are embedded in the financial framework, which establish how they are to be managed. In this context, first the city strategy steers the majority of the projects. These are previously evaluated in terms of their necessity. Depending on the size of the project, the decision on financing is taken at different levels within the organisation. According to standard budget management practice, this is decided annually. However, there is not a direct linkage between financial and non-financial performance, because there is no allocation of resources to individual strategic objectives in the budgeting process. Outputs of strategic objectives are the main focus and are accounted to task groups and sometimes quite concrete activities are named in the budget (e.g. increase in number of passengers on public transportation). Nevertheless, the city does not earmark any money in task groups' budgets to those activities (except for some bigger investments and strategic projects). This is the main reason why there is not a straight linkage between allocated resources and achievement of strategic goals, even though the financial and strategic (non-financial) performance is reported together. There is an alignment between budget and city strategy by providing a lump sum budget. In addition, there is a long-term commitment to strategic projects which may last up to five years and this is subsequently reflected in the budget allocation.

The system includes a structure for monitoring and reporting on a periodical basis. These contain financial information such as the budget realisation, prediction or financial statements. The reports are released and made accessible by the managers. The reports make it possible to assess the financial performance. In the near future and in order to know better the productivity and other operational indicators, a new SAP reporting system will be in place. The trend of the budget reporting is obvious in Tampere. The objective is to explain the budget reporting literally through the actual economic processes. The Finance and Strategy group receives a report from each unit about their views of analysing the data. The analysing needs of the service production will be more efficiently met in the future with the help of a databank reporting system. The objective is to take the reporting in the direction of input-output-analysis based on productisation. By using e-Reporting many things could be monitored via the strategy; these include the volume of service production inputs, the realisation of production processes and the outputs from the perspectives of quality, influence and productivity.

IN SEARCH OF EXCELLENCE

Since 2001 Tampere has been developing a strategic framework in order to redirect and steer the city to what it should be in the future. ‘Tampere Flows’ is a flagship which is under constant development. As a consequence of this, their leaders are still of the opinion that there are not enough outcomes which are visible or tangible and in the future a real evaluation will take place.

However, Tampere showcases a number of successes owing to several factors and qualities. On the one hand, the new management model plays an important role in the way the relations are now established and functioning among the variety of actors. On the other hand, the many efforts undertaken by the agents on communication, consultation and commitment are remarkable. At a glance, Tampere’s excellent achievements include:

- **New managerial model:** The mayoral model has helped the interaction between citizens and the city administration, as it has given a recognisable face to the political leadership of the city. The city has succeeded in creating an atmosphere, where the citizens can truly feel that something is happening and decisions are being made. The new organisational model itself is functioning well and the plan is to carry on with it in the future. A survey of the mayoral model has been carried out and the main results shows that nearly 80% of the leading officials and delegates consider that the role of the mayor as a delegate leader and city manager is a solution that works. Although no clear quantitative evidence is available, an agreement to a large extent exists in the administration that the purchaser-provider model out-performs and is more efficient than the previous one; furthermore it is agreed that without the new model it would have not been possible to manage such ambitious strategies.

There would be no need for drastic changes even if the project started all over again. Small details are being adjusted all the time and thus the development, functionality and sustainability of the framework chosen are ensured. In addition, it proved that politics are becoming closer and more directly linked to professional leadership. It also shows that the increasing complexity and number of municipal duties can only be managed by network-like structures. As a consequence, 75% of the operational goals were realised in 2011 with only some exceptions such as in medical care.

- **Sustain decision-making culture:** Tampere has a special feature linked with the way the decisions and actions have been taken; they have always overpowered the mere plans. Many cities like to present and introduce their strategies and plans, but Tampere has always let the actions talk. This probably stems from the industrial background of the city, as people have grown to appreciate concrete actions. The high degree of citizen involvement is showcased by surveys such as ‘The Future of Tampere’, an open-web discussion with 700 active citizens or the ‘Strategy Questionnaire’ (2009) with approx. 2000 respondents, i.e. a good example of collaborative design and delivery of this strategic document.

- **Positive outcomes related to eco-efficiency strategy:** The city has developed a cross-sectorial strategy with a high importance in the country. This project is focused on achieving more sustainability. Some of the measures taken include less energy consumption or implementing new ways of transportation, bus lanes and cycle paths and a new ecological tax system. Some of the implementation results are: in total 30% of electricity used by Tampere City's properties is renewable, the amount of greenhouse gas emissions created is decreasing annually by 3% (compared to the year 1990) and the volume of energy used by Tampere City properties has decreased by 2% compared to 2010. The participation and involvement of agents was a key success, 'I'm an energy-efficient house!' is an example of a bottom-up participation process, where mass-media and society has joined in order to achieve an eco-efficient city.
- **Locational advantage and manageable economy of scale:** Another driver for success has been the manageable and suitable size of the city, great location logistically and a suitable amount of readily available resources.

It goes without saying that Tampere is also facing several (economic) challenges in the years ahead. One is the Euro crisis and its effects on the city and its companies, which experience the impact on exports due to Tampere-based companies being export oriented. In addition, Tampere is also touched by Europe's public debt problem; for several years it has suffered an increase in its debt and operational costs (long-term debt in 2011 amounted to a consolidated figure of €789.5 million; the deficit in the same year reached –€12.5 million).

In August 2012 the unemployment rate in Tampere reached almost 13%, which makes it the highest percentage among the six biggest cities in Finland. This shows that the current economic environment recently also paid off for Tampere (such as in the case of the giant Nokia); thus a (new) boost for entrepreneurial spirit and friendliness, as well as framework conditions were embarked upon to maintain its competitiveness in the global market.

On the other hand, several new urban development projects will bring the city reasons to shine again (in the future). Several projects have already been implemented such as the road tunnel to improve and smooth the traffic, the increase in share of public transport with new bus networks and local trains. Other new projects such as leisure areas are planned in the city, as well as measures to encourage Tampere as an innovation city in order to improve the competitiveness of the region's businesses. Moreover, the Tampere Senior programme seeks new and innovative ways to ensure a satisfying and happy life for its senior citizens. 'The Deck', a new city sector which is planned to be built with new buildings and services is another good example of emerging priorities. The aim is to create (new) visions that many things and projects are actually possible to accomplish until 2020.

INNOVATION POWER

Tampere has been able to confront the challenges it faced with an innovative, consensus-driven, strategic, holistic and long-term perspective and spirit. In addition, a good portion of pragmatism explains how it was able to create and adapt constantly to integral changes and to generate new (successful) strategies for the city. Thus, innovation (the drivers and enablers) can be found in several parts of the model.

Creative Managerial Model purchaser/ provider

The model reform carried out before setting the strategy was clearly important for 'Tampere Flows' and the city as a whole. This new managerial model with a new mayoral model, a purchaser and providing model, and the customer orientation and participation allows for a better response to the needs of the city. Another salient point was the refreshed relationship between politicians and administrators, which was necessary to change into more of a partnership working to enable the change.

Decision- making culture and dialogue cooperation

A flexible decision-making system was necessary to manage the external changes and allowed the appropriate actions to be taken. In addition, directive actions and anticipation were the preferred and better means in such a changing environment. Cooperation meant a constant interchange between the city leaders, the businesses and the universities in view of recognising the common challenges and being aware of how to respond to them. This was possible due to the open conversational culture which supported the creation of a certain special Tampere governmental attitude and spirit.

Adaptability and power to change

Tampere has been able to recreate itself and boosted innovations at different levels such as the industrial sector, which evolved from a textile-driven industry to information technology-driven community. It is also a good example in that many new innovations and enterprises have been created despite Nokia's redundancies. Tampere is a successful model in many aspects, resulting in new jobs that have been created or new start-ups and companies that have been attracted to the city. In fact, the city has the capacity for bold and fast decisions in the community in order to open up opportunities for a new path.

**Local leadership
in all stages**

From the city point of view, Tampere has always been lucky to have innovative and visionary leaders, who have not only seen the present, but also the future. Timo P. Nieminen, Tampere's Mayor, is such a creative thinker and combined with his ability to govern and capacities to communicate and commit the others, he was able to steer this administrative reform process effectively and successfully. In addition, the Deputy Mayors also play a relevant role in this system, since they not only lead the ordering of the services, but are also responsible for arranging the respective services, giving them a 'face' instead of leaving it (solely) to the civil service body. The fluent communication and the commitment of the city stakeholders allowed for a solid local cooperation model to be established, which is considered to be one of the main enablers.

**A wise mixture of
issues**

Tampere has been able to mix many elements. It has invested a lot in cultural issues, educational centres and high-tech areas in order to develop an innovative and creative society and economic area. It started already in the 1990s, as Tampere saw a population growth, the number of jobs grew in the new economy and innovative activities expanded, thus strengthening the image of the city.

A SMART, SAFE AND GREEN CITY

City of Trondheim



City Portrait

INSTITUTIONAL FRAMEWORK

Norway is a unitary state composed of 430 municipalities (*kommune*) and 19 counties (*fylkeskommune*). The local council (*kommunestyret*) is the municipality's deliberative body and is composed of councillors elected for four years from party lists via a system of proportional representation. The local council is the highest decision-making body of the municipality and is in charge of budgetary, financial and planning issues.

The executive committee (*formannskap*) is composed of members coming from the different political parties, based on the results obtained in the local elections. The committee prepares decisions concerning the local budget as well as annual accounts and local taxes for the local council. It also makes decisions when it comes to less important or more urgent matters and monitors the administration's implementation of political decisions. The mayor heads the executive committee, to which the council has delegated much of the operational control of the organisation.

Local government is considered to have four main functions:

- instrument of governance for the state
- instrument for local autonomy
- arena for local political processes
- provider of welfare and public services

The local authority for a given territory comprises a whole range of different responsibilities and

Competences:

Child welfare - *kindergartens*
Primary education
Health care
Social services
Culture and leisure
Technical infrastructure
Local planning

tasks. Dominant sectors are education, social services and health, as well as technical matters. The authority provides and runs primary schools, health centres, institutions for the elderly, kindergartens, etc. There is a technical department, which builds and operates water and sewage systems, collects refuse, and constructs and maintains local roads.

The local government alone does not exercise complete control over its community, not even if do the administration and the politicians act in concert. The state can intervene and impose demands, provide or restrict funds and rights of taxation. Local representatives of central government have important control functions. In Norway, the state is the main tax collector and transfers money to municipalities based on a transfer model to secure territorial cohesion. Therefore, the largest proportion of local budgets stems from state grants and income taxes (together roughly 77%), which are discretionary. Local taxes (mainly property tax) and fees comprise roughly only 19% of Norwegian local governments' budget, which leaves Norwegian municipalities with very low financial autonomy in terms of levying taxes. As a result, local governments have very limited options to influence their local budgets, but can freely decide on the usage of their revenues.

The administration of the City of Trondheim is a two-level organisation without any borough administrations politically or administratively. Trondheim also hosts the administration of the South-Trøndelag County and the County Governor representing the state level.

The Lord Mayor is the chairman of the City Council (67 representatives). The City Executive board (11 full-time / paid members appointed from the City Council) is led by the Lord Mayor and executes policies on behalf of the City Council. The members are not connected to special agencies or sectors. They are all-round politicians. The current political coalition (since 2011) in power contains the Labour party (27 members), the Left wing socialist party (4), the Green party (2), the Centre party (1) and the Christian democrats (1).

The City Administration comprises six public sectors (departments): Early Development and Education; Culture and Business; Urban Development; Health and Welfare Services; Management and Human Resources; and the Financial Administration. The Chief City Executive is the head of the City Administration, together with six City Directors responsible for each directorate. The total number of public employees connected to the Chief City Executive staff amounted to 105 in 2013 (total number of employees in the Municipality ca. 13,000).

SOCIO-ECONOMIC STRUCTURE AND MAIN INDUSTRIES

Trondheim is the regional capital of the Trøndelag counties situated in central Norway. The city population in 2013 comprised 180,000 inhabitants plus 31,000 students;

furthermore, 10.7% of the population is foreign nationals. The city covers 342.2 km² and is a major logistic hub for the region and for Scandinavia. The airport operates direct flights to a large number of European destinations.

The highly respected Norwegian University of Science and Technology (NTNU) has a positive impact on business, industry and research and development in the region. As a result of spin-offs from ideas born at the university, Trondheim is the birthplace of numerous knowledge-based and technological enterprises (SMEs). The city has always had a strong commitment to world-class excellence in research and development carried out by the University and other independent research organisations, such as: the Faculty of Medicine (NTNU); Geological Survey of Norway (NGU); Norwegian Institute for Nature Research (NINA); the Norwegian Marine Technology Centre; and TSIP-IT& Research.

To this end, Trondheim also hosts SINTEF, the largest independent and broadly based, multidisciplinary research group in Scandinavia that possesses international top-level expertise in technology, medicine and the social sciences. Its aim is to become the most renowned contract research institution in Europe. SINTEF creates value through knowledge generation, research and innovation, and develops technological solutions that are brought into practical use. The SINTEF Group comprises the SINTEF Foundation, four limited companies and SINTEF Holding. They employ 2100 staff who come from 68 different countries. The profits of its contract research projects are invested in new research, scientific equipment and competence development. In the course of the past five years, SINTEF has invested €65.79 million of its funds in laboratories and scientific equipment.

Successful business enterprises in Trondheim take advantage of the highly skilled and educated workforce supplied by the university and the university colleges. Among the main industries, many are related to oil and gas, independent, multi-client R&D business. Atmel, Nordic VLSI, Q-free, Sun Microcomputers, and Maxware are among the ICT businesses addressing international chip-design and software markets that have found it strategically important to establish themselves in Trondheim. The commerce market in Trondheim covers a large part of Scandinavia, and some businesses have even expanded into the growing market of Northwest Russia. Service and supply are both options. Carriers by sea, rail and road are linked to continental Europe. The dominant cargo is outbound marine food products sent by thermo transport, and bulk carriers taking paper to European markets. Servicing staff can make day return journeys to all major Scandinavian cities and a number of continental European destinations.

Trondheim, as a consequence and similar to the rest of Norway, has a very favourable employment data with an unemployment rate reaching only 3.6%.

BACKGROUND

As indicated above, the City of Trondheim is the regional capital of Sør-Trøndelag and is the third most populous city in Norway. In 1997 the municipality celebrated the 1000-year anniversary of its foundation, and on this occasion it set itself new and ambitious goals to achieve. Several reasonings were behind or motivated Trondheim to embark upon this journey. One key reason was the Kyoto Agreement signature, which was adopted in 1997 in the United Nation convention on Climate Change. The Norwegian Government signed the agreement on behalf of the nation. As a result of these commitments, the Government introduced supportive pools of finances and incentive funds to encourage local authorities to make efforts to work towards environmental sustainability.

This monetary framework enabled the political dream of the city leaders, namely to become the leading city in Norway in terms of improvement in public transport, resulting in less greenhouse gas emissions, congestion and Trondheim's traffic noise concern. In addition, the global climate challenges required actions and a greater share of transport to be shifted to foot or bicycle, bus or tram.

In this context, evidence has demonstrated in the city's transport plan (February 2007) that Trondheim had to overcome an increasing urban population growth and, as a consequence, much higher volumes of car traffic. These problems represented a challenge to the city's ability to stay within the accepted limits of greenhouse gas emissions. Increasing traffic was also seen to be a threat to local urban environment, in terms of public health and traffic safety issues, urban land use, and the quality of life and its related central business area.

Trondheim leaders were soon aware of the situation; as a response to these new challenges, measures needed to be taken in order to improve the current situation. To meet the challenges the city had to provide better traffic solutions for its residents, trade and industry.

STRATEGY AND OBJECTIVES

The '*Bomringen*' project – a toll road project to reduce traffic in the city centre and to provide money for infrastructure – was a prominent forerunner with high relevance in the Trondheim experience, facilitating the leadership's commitments for the establishment of improvement for the city. Through this political engagement, confident and close cooperation among the partners became even stronger in the process of creating '*The Green Partnership Agreement*' (GPA) – *Miljøpakken* – which was an integrated part of Trondheim's Master Plan, a strategic plan which set up a twelve-year period for strategy, goals and vision (2009-2020). This Master Plan has six main, guiding strategic challenges for innovations and improvements:

1. Climate change and environmental protection.
2. Labour force demand and supply.
3. Competences and skills.
4. Safe, inclusive and diverse city.
5. The roles of the city as service provider, regulator and policy maker.
6. Fight against poverty and the children's adolescent conditions.

Before its launch and further to the Nordic logical and pragmatic approach, an analytical map was drawn up in order to examine and assess which factors or elements may support this process or the contrary. The City's SWOT analysis is briefly illustrated below:

Figure 8.1: Simplified SWOT analysis

	HELPFUL (to achieving the objective)	HARMFUL (to achieving the objective)
Internal origin (attributes of the organisation)	<ul style="list-style-type: none"> • Improved and innovative public administration organisational structure among the three levels, with communication shortcuts, effective and smooth coordination • Existent knowledge and work on R&D projects on sustainability, mobility (public roads) and technology • High involvement of politicians and skilled experts resulting in strong leadership • Strong cooperative willingness among three partners to ensure the planning 	<ul style="list-style-type: none"> • Possible lack of willingness for change in the organisation led to resistance among employees to work horizontally and cooperate with different actors • Unfortunate timing with elections coming up and the project became part of the election campaign • Expensive and demanding issue regarding the improvements of the transport structure • A challenge to get public acceptance and to fit with their expectations for this new system
External origin (attributes of the environment)	<ul style="list-style-type: none"> • State provides financial structures to inspire environmental thinking for building new infrastructure • The same political construction (parties in power) in the Municipality, the County and Nationally • Participation from the state road authorities in a long-term contract (15 years) between national, regional and local governments 	<ul style="list-style-type: none"> • The neighbouring municipalities' resistance against the project, especially on the toll road system. It is not based on consensus and thus (still) conflictive • The budget period is shorter than the project period (2008-2024) and economical support from the state level for the whole project period is not guaranteed since an application process needed to be pursued

As a result of this assessment, the main grounds for the GPA in 2007 were:

1. Very little local money was available for transport in the City of Trondheim. As a result, the transport plan, which had to be submitted to the Council in 2007 as a legal obligation, reflected this tight budget and limited room for actions. Thus, it did not bring forward any strong vision or actions.
2. Since it is a national requirement to address environmental liabilities and since Norwegian local governments receive the majority of their budgets via state grants, the City of Trondheim had hoped for signals from the Government to encourage local actions in the National Transport Plan 2010 to 2019. Nevertheless, this plan did not fulfil those hopes.

Based on the difficult local financial situation and no clear support from the state government for local actions in transport and environmental issues, the City of Trondheim decided to set up a leading-edge and cross-administrative project involving the City of Trondheim, the South-Trøndelag County and the National Road Authority, to meet the challenges of combating Green House Gas (GHG) and fulfil the priority of combating climate change and fostering environmental protection as laid down in the city's Master Plan: The GPA – *Miljøpakken* – was born. While the main source of financing could only be assured by re-introducing toll roads, it was also hoped that the state would take interest in this ambitious project and contribute financially, which was achieved as state money was finally granted for the building of a new infrastructure.

The main objective of GPA was and is to combat GHG emissions and climate change from transport. The innovation initiative was launched to promote improvements in urban mobility and efficient logistics for businesses and households. These objectives are all linked to the perception of an attractive and successful urban environment, and they aimed to contribute to economic growth and the reliability of the workforce.

In order to carry out concrete measures, quantitative objectives and desired outcomes have been set:

- a reduction of CO₂ emissions by 20%;
- a 25% increase in the speed of public transport travel in the central business area;
- a 14% reduction in car travel in the urban area;
- a 15% drop in noise levels;
- a 20 % reduction in traffic accidents.

All these objectives have 2008 as the time reference ('starting point'), and are to be met by the year 2024 (latest). With this, the fact is that the GPA became a local instrument for raising urban attractiveness to a higher standard. It also seeks to meet wider political targets of resource-efficient transport systems.

Taking into account these general objectives, several measures and actions were planned in order to achieve them such as:

- investment in the main road network in order to improve the capacity and efficiency of the city centre bypasses and remedying missing links in the main road network for car traffic;
- efficient and subsidised public transport;
- enhanced traffic safety, mobility for pedestrians and cyclists, with a complete road network for biking.

THE JOURNEY

Every journey has a starting point. According to one local senior official from the City of Trondheim:

‘Physically, the journey normally starts from your home. It might also start with a dream of going somewhere with somebody. The reasons for going somewhere and with whom, might be different.’

In the case of Trondheim – the partnership for sustainable transport – there seemed to be many developments which can be considered as starting points – some of a more general nature and some more concrete.

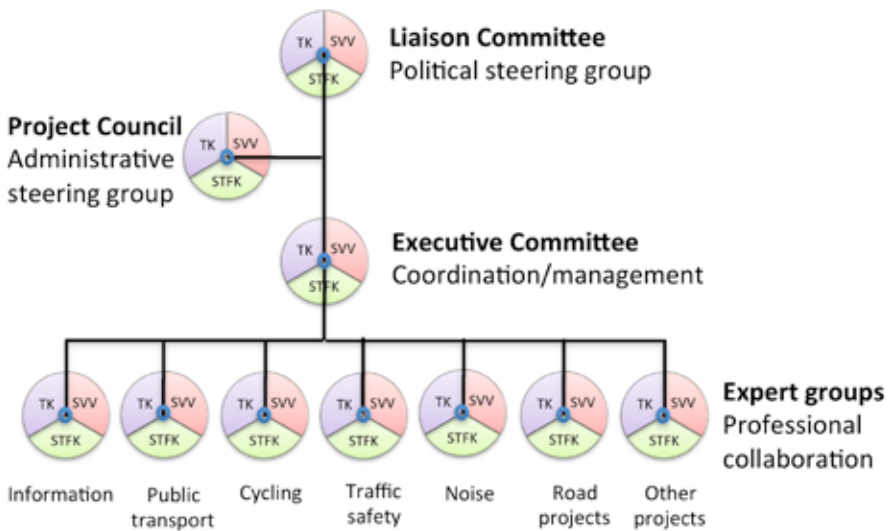
From a formal or legal perspective, the journey started in 2008 when the GPA was adopted by the City Council and came into operation in 2010. The main concern during the initial phase of the Trondheim journey was to reduce the land use dedicated to traffic and to change the transportation emphasis towards more use of public transport, cycling and walking, since the development of urban attractiveness is nowadays frequently reviewed by city governments as well as national and European federal bodies.

The planning of this extensive strategic package involved a complex mixture of administrative and political processes. Although initially there was some resistance from traffic commuters, the GPA achieved wide support within the business community and among Trondheim’s population, top companies and civil servants. It is also backed by the parties from across the political spectrum. Some of these actors played a dominant role and leadership in the process. Undoubtedly, one of the most important challenges was to activate and commit the key stakeholders towards the objectives.

For this, a real partnership architecture was set up which forms a political steering group consisting of the two elected Mayors (City of Trondheim, The South-Trøndelag County) and the National Road Authority’s CEO, as well as top level administration officials representing the three parties. This strong political steering group is led by the Mayor of Trondheim, the secretary of the political steering group, based on the fact

that the city ‘owned’ the problem. As a consequence, the main actors and owners are responsible for the strategic coordination of the initiative, and the entire strategic concept, monitoring and evaluating the progress of the the GPA. Its institutional set up precipitated and enabled creative leadership and the development of institutional capacity to manage the strategic change process. Institutional capacity-building and institutional capital in the context of urban development and local governance focuses on the development of knowledge resources, relational resources and mobilisation capacity, i.e. the innovative and political leadership dimensions of creative leadership¹.

Figure 8.2: The GPA and its organisational structure



Note on the abbreviations: STFK: County of South-Trøndelag; SVV: National Public Roads Administration; TK: City of Trondheim.

As shown in Figure 8.2, the institutional setup consists of the governing body (the Liaison Committee), the administrative body (Project Council), which is in charge of the daily work and fulfils the ideas and recommendations of the Liaison Committee, and one coordinating body (the Executive Committee) for the approximately 50 projects organised in Expert groups.

¹ Healey, P., C. de Magalhaes, C. and A. Mandanipour, ‘Institutional Capacity-Building, Urban Planning and Urban Regeneration Projects’, *FUTURA – Journal of the Finnish Society for Future Studies*, 18 (3), 1999, pp. 117-137.

All of the different bodies include representatives from the National Public Roads Administration, the County transport authority and the local municipal planning authority, i.e. all three administrative levels. Contractors, local enterprises and consultants are used as suppliers in the process chain. Given the mixture of measures included and balancing the political and administrative management, some 100 people are involved in managing the various projects.

The same three authorities are responsible for the execution of the GPA (the 'Executive Committee'): the Norwegian Public Roads Administration (NPRA), the County of South-Trøndelag and the local municipality of Trondheim. These authorities have complementary competences when it comes to planning and contracting, management and building, and responsibility is shared for the different categories of roads. Through a recent regional reform more discretionary power was given to the regional level. In terms of how the workload is shared between the three levels, the NPRA is responsible for traffic safety, mobility and environment (national roads); the county for public transport; and the municipality for city layout and local roads. The political steering group (the Liaison Committee) provides and guarantees a strong cooperation and corresponding process among the three parties in a top-level governance structure. It is a top-down organisation to secure cooperation between the partners and to avoid resistance in the administrations.

In general, political leadership has been crucial and was demonstrated in the steering process. Local politicians have been very important, but national authorities have also played an important role. Furthermore, the role of the (female) Mayor of Trondheim has been and is decisive in the full development and execution of the GPA.

PROGRESS BY DOING

The project delivery often relies on sometimes simple, but effective and innovative ideas and investment actions on road, railway, cycling and walking infrastructure. For instance, to ensure rapid bus transport, one of the two traffic lines going both in and out of the city centre, which was formerly open to all traffic, has been smartly re-defined through the GPA as strictly a collective lane where private cars are completely excluded.

Based on this philosophy, the GPA is organised around and implemented through smaller projects in a larger matrix setting. The project's Executive Committee has two to three members from each administrative level. It is responsible for the project portfolio and the coordination of the different projects. Approval of projects is granted by the responsible departments and according to the existing regulations of constructions.

In order to implement the strategy, there were several issues and factors to take into account that enabled performance and success. In particular, a close alliance between local and national politicians and between local and national civil servants is crucial to achieve success in their actions. Thus, this commitment among the partners was key to ensuring that all the people involved were working in the same direction.

The idea was (and still is) to encourage short communication lines and effective integration/coordination between the project and the many administrative parties and bodies that are vital for the project's success. This has created some tension in terms of everyday prioritisations amongst municipal bureaucrats being called upon by the project as the performance of established routine tasks has been challenged to some extent by pressing project demands. However, the dedicated and visionary political leadership of this project, which has the full power to act, guarantees the success of the matrix organisation and the prioritisation of the project and related tasks.

The local government also gained credibility and experienced changes through the process of 'going green' within its own organisation. Ground-breaking initiatives in this context included moving the main offices to the city centre and introducing car-pooling among the local government staff. This successful scheme has also been adopted by businesses operating in the central business area. The choice of such explicit and visible initiatives made communication to the citizens easy.

Needless to stress that a widespread communication action accompanied the strategy and operational delivery with several examples on how the information is provided:

- boards placed at the construction sites describing the projects and their progress;
- notes and articles in local newspapers;
- notifications of user payments for public services, or local taxation².

Figure 8.3: Boards at the construction sites with the GPA logo



² See for example the GPA's website (in Norwegian) <http://miljopakken.no/pengestrommen>.

Good information and communication procedures were being created to secure transparency in the project towards inhabitants with the aim to – not only – ‘warn’ citizens of what kind of changes are going to happen, but also showing results and overall information about the ideas, the goals and the outcome. In this context, the communication was strongly focused on the process.

A good example was the brochures sent to every household explaining what would be built and how it would be financed.

Communication with the local population is crucial in matters of user payments for public services or local taxation. In this regard, the goal from the beginning was to make the GPA work as soon as possible and provide positive and ‘tangible’ results for people on an everyday level. Regarding the toll system, as a first practical and visible initiative, discounts for pre-payment and automatic debiting systems were offered. Moreover, a smart system using a small on-board computer unit (Q-free³) in the front window of cars allows smooth and simple passage without delaying traffic.

Involvement of the various stakeholders was one of the main features of the project since there was the major concern as to whether measures would only benefit commuters’ and economic interests in Trondheim instead of benefiting citizens (although several measures are only a matter of administrative and political decision-making). Thus, there were high levels of public and citizen participation in designing the scheme. The neighbouring communities also had a ‘voice’ through the commuter traffic.

Without surprise, Trondheim’s journey was not exempted of incidents. An example of such a potentiality is that the decisive decision was made by Parliament in summer 2009. If it had been postponed, it would have been too close to the elections in 2011 with the corresponding negative consequences. Public perception would have been poisoned by the fact that the project could become part of the political game in view of the election campaign since there was a (first) resistance from part of the public.

Another difficulty was the toll ring system, ‘*Bomringen*’ which was used from 1991 to 2006. The reinvention of toll roads was not popular among citizens, but was necessary to the project. This was one of the first active measures taken and thus was strongly contested by car commuters and travellers at the time, since it seemed to increase rather than decrease problems related to rush-hour traffic and jams in the immediate term. But as time has passed and the supply on collective traffic has progressed rapidly, the problem has been reduced to a minimum. Not only have the queues decreased and traffic jams become fewer, but bus traffic is now quicker and also more efficient.

Difficulties were also encountered in acting ‘horizontally’ together with other parties in a rather classical administrative working system. Established structures were

³ See <http://www.q-free.com>.

challenged by the civil servants: *'We do not do things like this...'* These challenges were counteracted by the governance structure of the GPA – with a high-level political steering group as the initiator and decision-maker on top (see Figure 8.2) – which is unique in Norway. In a traditional set-up, project plans and initiatives would have been developed by the administration and just been amended and decided upon by the political body; but in the case of the GPA, the political body has the complete rights and obligations of leading the project. Since the GPA had been voted by the majority of the City Council as an integral part of the city's Master plan, the political steering group has a clear mandate and the full institutional capacity to act (within a set framework).

As initially mentioned, Trondheim and its vicinity are experiencing strong growth in the population which has an impact on the local environment. However, and compared to other major cities, it was not a real problem at the time of the start of the project. It was absolutely a challenge for the ('unforeseeable') future – an advantage for all the actors involved. As a consequence, Trondheim was not at the stage when the city 'had to act' to solve a major problem; the planning of the work could finally be done with a real focus on adequate solutions instead of pure and quick ad-hoc reactions.

MANAGEMENT CONTROL SYSTEM AND FINANCIAL MANAGEMENT

In terms of resourcing the GPA, the overall budget goes much beyond a single or annual city government financial framework. In fact, the city's annual budget is only a small part of the total budget for the project. Every part of the project has its own budget frame (roads, cyclists, pedestrians, etc.) and it is based on a strong control regime and strategic budgeting principles. The total amount rises to approximately to 11 billion NOK (ca. €1.4 billion). Figure 8.4 shows the quantity of money for each budgetary expense item.

Figure 8.4: Multi-annual budgetary frame of the GPA

Main roads	4.3 billion NOK. (ca. €0.56 billion)
Local roads	0.6 billion NOK (ca. €78 million)
Public transport	2 billion NOK + incentive funds (ca. €0.26 billion)
Bicycle	1.5 billion NOK (ca. €0.19 billion)
Traffic safety	0.6 billion NOK (ca. €78 million)
Environmental improvement	0.4 billion NOK (ca. €50 million)

As far as the city budget is concerned, it is decided by the City Council and proposed by the Chief Executive Officer (CEO). In parallel, the County Council decides on the County budget and at the state level the government proposes its share to the national parliament.

Many different discussions and decisions are made in the budget programming cycle. Proposals from the expert groups are coordinated by the Executive Committee within given frames (public transport, cycling, traffic safety etc.). The expert groups come up with the concrete proposals; the Liaison Committee coordinates and suggests priorities between action areas and finally the national parliament, the City Council and the County Council take the last and firm decisions.

Notably, 70% of the budget comes from the toll roads, i.e. private financing (toll roads), the rest stems from the state and regional funding.

Figure 8.5: The GPA budget and funding principles

Total:	11 billion NOK (ca. €1.4 billion)
Tolling revenues:	7.0 billion NOK (ca. €0.9 billion)
State funding:	2.5 billion NOK (ca. €0.3 billion)
Local funding:	1.5 billion NOK (ca. €0.19 billion)

As impressively shown in Figure 8.5, most of the GPA money will be collected from the toll road scheme. A local tax on petrol has not been adopted by the national authorities as additional income. The funds allocated through the annual budgets of the local and regional governments contribute to the package, but constitute a relatively small share of the total amount. National grants are part of the parliament's national transport plan and include dedicated grants towards public transport in the major cities of Norway.

Of the total 15-year budget of the GPA, 50% will be spent on long-term investments in the road networks. An approx. 12% share of investment is dedicated to the bicycle path network, also a long-term investment in addition to the planned extensions and improvements of the public areas of the city.

Regarding the totality of financial information, the accounts analysis is made available for the Liaison Committee (top political body). The formal procedures include reports to the different bodies involved. The account holder of the project is the State Road Authority. All internal managers have their own budgets and report regularly to the Executive Committee. Individual project leaders are responsible for their forecasting and spending within their projects. However, to have an accurate and timely information system, this turns out to be rather difficult in such a three-part cooperative system. Total investments are made available, but its detailed specification and/or balanced implemented measures and subsequently reductions are difficult to determine.

IN SEARCH OF EXCELLENCE

The GPA has only been in full operation for three to four years now, so it is still in a rather early stage of its life-cycle. However, it has strongly been benefiting from a range of immediate results. This is due to a continuous monitoring and evaluation mechanism in terms of short- as well as long-term results.

The GPA consists of a mix of projects: some have brought short-term results and others will need more years to mature. So far, several results are reportable and honestly impressive, some of which are highlighted below:

- **Unusual (political) partnership to deliver immediate and continuous results**
The GPA marks a milestone in the history of Trondheim City and is groundbreaking from a political, financial and practical perspective. To succeed, the project has from the start displayed swiftness and progress; radical and quite often unpopular objectives under the parole of ‘going green’ have been accompanied by rapid planning and swift execution of plans into infrastructural construction. Politically and administratively, the GPA has thus been given special attention and priority, so as to provide a strong and steady thrust. This swift execution of plan into action places GPA in an extraordinary position compared to similar projects – at least on a national scale.
- **Effective in-house expertise across administrative levels and energetic outward communication**
Minor use of external expertise and a high focus on communication in every step of the project were important enablers. Contact with national authorities has been important all the way, although the City of Trondheim has played a key role in the project. The commitments among the project members are implemented by the Liaison Committee.
- **Quick quantifiable and visible results**
In 2010, the number of passengers using public buses increased by 7.5% in the region as a whole compared to the previous year. In 2011, the number of passengers increased by a further 10.8 % in Trondheim and by 25.1% in the neighbouring communities. Amongst the most important factors to explain such a formidable increase is the substantial fare reduction brought about in 2011. In 2012, the growth was equally impressive, as there has been a 10.6% increase in passenger numbers in Trondheim City and 20.8 % in the neighbouring communities. The positive trend is unmistakable⁴. Other tangible results in public transport include:
 - 84 new departures have been introduced;
 - ca. 150 new gas-fuelled and 10 diesel-electric hybrid buses have replaced old diesel buses;

⁴ Dehlin, E. and E. Rognes Solbu, ‘The Green Partnership Agreement’, In: Busch, T. et al., eds., *Public Management in the Twenty-first Century. Trends, Ideas and Practices*, Universitetsforlaget, Oslo, 2013, pp. 204-210.

- a number of bus stops have been upgraded with screens displaying a countdown information service and the buses now have an on-board information system;
- the ticketing system has been changed and in 2011, the prices were reduced by around 15% on monthly passes.
- In general, monthly travel passes for students have been made cheaper, and school children and kindergarteners are allowed to travel free of charge during off-peak hours in the daytime.

The planning of a new traffic pattern for the central business area is in progress. This is a complex operation as several streets are transformed into pedestrian areas. The introduction of downtown bicycle lanes is part of the same process.

In the longer term, travel fare subsidies might not be sustainable in the future. Electric cars being the preferred car transport might change when the number of cars increases and benefits are normalised. Reducing the proportion of two-car households is also a possible long-term result in view of the local actors. This would all benefit the city, the transport provider and the users of public transport. The extra funding for 'green buses' may also contribute to long-term improvement of the city's environmental qualities.

In summary, quantifiable results showed a formidable growth in the use of public transportation and an equally astonishing pace and momentum in the construction of infrastructure. It is sometimes difficult to see these results separately from the (non-quantifiable) visionary and energetic management performed both by political and administrative bodies. The manifold daily impacts on and progress in the city infrastructure already hint towards very promising multiplication factors and outcomes of the GPA in 2024.

INNOVATION POWER

The GPA is a unique initiative and achievement within Scandinavia, creating powerful, innovative and complex partnerships aiming at combating GHG emissions and protecting the environment. The application deals with the important problem of transport and mobility in European cities, climate change, as well as various other issues of common concern, e.g. land use, road safety, affordable public transport, increase of modal split, etc. Several drivers and enablers which describe the innovation power of the City of Trondheim (and its other stakeholders) can be summarised as follows:

**Innovative
(and complex)
partnership
organisation**

The exemplary and innovative partnership model has turned out to be a powerful instrument of an effective climate policy. A very interesting and innovative administrative aspect of the GPA concerns how the project as a whole is organised as a matrix alongside the other departments of the municipality – as part of the existing hierarchy, not merely as an autonomous project with autonomous management. This remarkable and innovative command has been issued to achieve the extra trust necessary for swift and effective organisation – to ensure priority and progress, pace and momentum.

**Timely and
multilevel
decision-making
process**

Both the single measures and the step-by-step decision-making involved in the GPA rely on existing practices. However, what is extraordinary about the GPA is the combination of political timing and the performance of the planning professions, including all three administrative levels: the process set the benchmark for efficient decision-making. Considering the complexity, the magnitude and the long-term commitment of this public investment package, this is both a remarkable achievement and innovation.

**Process-oriented
communication
procedure and
actions**

Internal and external tight contact between state level and municipal level provided by the fact that people involved knew each other made communication simple and credible. Such smooth communication cannot be considered as given, even if the actors involved come from the same political majority. Together with successful coordination between the project's three authorities, the NPRA, the municipality of Trondheim and the Sør-Trøndelag County, the GPA is a rare case of unusual progress and momentum – a landmark of Norwegian public sector innovation.

**Strong
leadership
and a smart
and integrated
organisational
and delivery
structure**

It seems that the success of the matrix organisation is closely associated with the strong and ongoing political and managerial will to see it happen. GPA is not a case of passive organising by routine and established bureaucracy, but active organising through energetic, dedicated and visionary management made possible by an innovative organisational structure. GPA is more a project breathed into life through administrative leadership, in which existing bureaucracy is utilised as a vital tool, than a project strictly following established rules. This creates tension, but it also produces results as shown in the result section of this case description.

**Long-term
commitment
and cooperation
among partners**

The partnership implements long-term infrastructural measures supported by public information, suggesting long-term durability. This is backed up by the strong partnership described and political commitment through involvement of Mayors in the institutional setup. Due to its integrated approach, all sustainability dimensions, including quality of life, social inclusion, natural resources as well as economic prosperity are being approached.

The Trondheim case offers a strong learning capacity with regard to the power of appropriate multilevel partnership and governance. However, the replication potential might suffer from other institutional framework conditions, administrative culture and tradition as well as personalities involved in other European countries.

CONCLUSIONS AND SEVEN STEPS LEADING TO EXCELLENCE

Ultimately, every nation, region or (particularly often) local territory is searching for a formula which creates smart growth, added-value jobs and sustainable development. The role of the public sector within this overall objective and as a catalyst for well-being, competitiveness and excellence of its society must not be underestimated: in its triple function as investor, purchaser and employer, it is the biggest ‘single’ industry in Europe¹. It is estimated that between 10-15% of Europe’s workforce is employed by the public sector, amounting to roughly 50-75 million persons. Its economic importance can be stressed by looking at its revenues and expenditures as a percentage of the GDP. Public sector revenues mark roughly 45% and its expenditures approximately 50% of the EU 27 GDP². It also invests significantly in infrastructure on an annual basis, which benefits the society, economy and thus overall competitiveness. A large part of this economic weight falls directly within the merits of today’s municipalities and cities. In fact, in times of (the current) crisis, it is the local level which is hit first by the loss of jobs, closure or departure of companies and other socio-economic effects.

Moreover, the public sector sets the framework and room for manoeuvre for citizens and companies in its roles as policy-maker and regulator, and is furthermore a key service provider for society – especially again at the local level – which is the most direct level for interaction with citizens and businesses. Considering this vast role, it is fair to say that a well-functioning (local) public sector is the cornerstone for (local) prosperity and growth³. Correspondingly, excellent local public governance and management are ‘the’ determinant factors in any scenario of growth and/or recovery.

The local public governance and management of the seven selected city cases has been examined in this publication (see the introductory chapter and Figure 1.2), based on an analytical model which relied on elements of the concept of creative leadership, which is about developing and maintaining institutional capacity – the combination of knowledge and relational sources leading to mobilisation capacity – to manage strategic change.

¹ Määttä, S., *The Lisbon Strategy and Strategy-Focused Public Administration*, 2004, downloadable at <http://eupan.eu/en/documents/show/&tid=43>.

² Eurostat, *Government Finance Statistics*, April 2013. http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Government_finance_statistics.

³ Määttä, S., *The Lisbon Strategy and Strategy-Focused Public Administration*, 2004, downloadable at <http://eupan.eu/en/documents/show/&tid=43>.

In our case, in terms of knowledge resources, the successful initiatives of the seven cities demonstrate access to and use of a rich range of knowledge – i.e. via developing a joint venture as in the case of Birmingham, contracting external resources in the planning process as in the case of Bilbao, or building up in-house expertise as in the case of the Change Management Unit in Mannheim – and a conscious reflection and development of frames of reference. The latter is very well demonstrated by the development of the ‘Guidelines on leadership, communication and cooperation’ in the City of Mannheim or the CHAMPS2 methodology in the City of Birmingham, which provide a golden thread for the change process and a common language. Moreover, the attributes are shared among a broad range of actors involved, which was achieved by the cities through creative and well-targeted communication and dissemination activities. In addition, the range of frames is continuously developed through the introduction and development of new ideas, and the revival of established ones. This aspect is very well reflected by the spill-over effects of the Complaint Desk project of the City of Milan, which developed from a ‘container of city users’ complaints’ to an enabler of innovation and a key of the city’s management control system (MCS).

In addition, all cities demonstrate strong links between the political and the managerial systems, characterised by open, sincere and trustworthy relationships – the relational resources. The system of the ‘Green Partnership Agreement’ (GPA) in Trondheim is exemplary as it comprises high-level politicians and officials of the three consortium partners (the City of Trondheim, Council of South-Trøndelag and the Norwegian Public Roads Administration). Thus, it unites representatives of all competent authorities with different responsibilities regarding green city mobility – an excellent example of political high-level leadership in line with outstanding working relations with the administration and management level. Other best practices in this context are – for instance – the partnerships between the respective city’s CEOs and politicians in power in the City of Bilbao and Tallinn.

Moreover, an open web of relations reaching out to many stakeholders and binding them to the network, as well as sufficient network integration channels to access the networks are crucial. The seven cities use a variety of communication actions to implement the change internally and reach out to society and business. Almost all seven case studies reflect the clear trend towards the New Public Management paradigm of focusing strategies and processes around citizens’ needs and thus showing a strong customer orientation. Innovative communication actions include the ‘*VeränderBAR*’ or the theatre play within the city administration in Mannheim, as well as the Bilbao’s Neighbourhood Urban Observatory to assess the needs of its citizens at an early stage.

Both, knowledge and relational resources, determine the leaders’ mobilisation capacity, the capacity to act collectively. It is always located in contexts where structural shifts create opportunities for change, such as the case of the different starting points of each of the city journeys. Moreover, city leaders have to be able

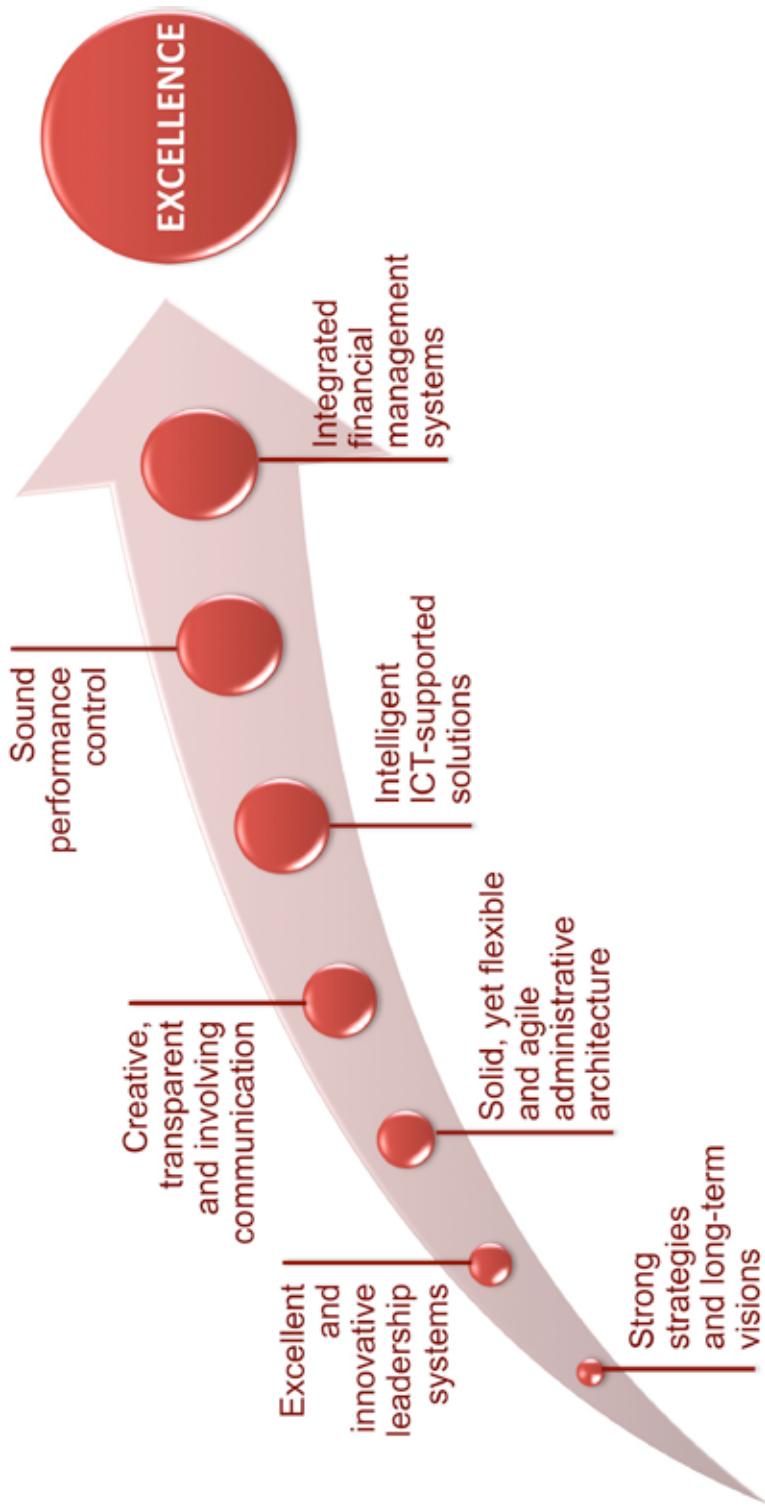
to identify the arenas where key resources and regulatory powers lie, where real change can be made, as well as embodying the capacity for sustained targeting of these fields. The strong strategic architectures of all seven cities and their achievements are quantifiable evidence of their leaders' and managers' capacities to choose the right arenas for change and to target innovation sustainably. All cities possess a rich repertoire of mobilisation techniques and the capacity for strategic action by choosing the most appropriate channels. These mobilisation techniques are closely related to the relational resources of the cities, their networks and methods to communicate effectively with these networks to assure the penetration of the overarching city strategies and visions.

The most important factor for mobilising (local) administrations is having access to skilled 'change agents' or leading innovators to operate at critical 'nodal points' on the ways to 'power'. These are often individuals who can inspire and drive the organisation with their own values to change. Change agents or innovators can on the one hand be the most senior politicians who personify the innovation process themselves, such as the (Lord) Mayor in the case of Bilbao, Mannheim, Tampere and Trondheim; or, on the other hand, high-ranking officials (a CEO or City Manager) promoting the transformation, such as in the case of Birmingham, Bilbao (again) and Tallinn. In any case, at the end, both actors (a 'tandem') are needed, and their (direct) relation often makes the difference.

Innovators and agents are ideally located at different levels of the city administration in order to assure the penetration of the vision or transformation idea. Mannheim is an excellent example in this regard, with its creation of the 'Change Management Unit' to coordinate, standardise and monitor the change process under direct supervision of the Lord Mayor. This unit thus becomes the nodal point for the transformation process whilst at the same time having the capacity to act as it is under the direct control of the Lord Mayor. Also of particular interest are the established 'Directorates for Strategy Development' in Tallinn and Tampere, which are mandated to look out for strategic directions for the respective municipalities and possibly improvements or changes.

Having these elements of institutional and management capacity-building in mind, **seven steps leading to local public management excellence** have emerged from the analysis. These are visualised in Figure 9.1, whereby the size of the circles represents the accumulative institutional capital, and thus the capacity which is reached by adding together the different ingredients. These are equal in value and weighting of success; in principle they are listed in no specific order, although there is a logical path as illustrated. In any case, all seven steps have to be taken in order to reach the desired excellence in local public management.

Figure 9.1: Seven steps leading to local public management excellence



STRONG STRATEGIES AND LONG-TERM VISIONS

All seven city cases have overarching strategies guiding the city development for approximately the next ten years. These strategies were developed and implemented either in a top-down philosophy, as in the case of Bilbao or Mannheim, or in a bottom-up philosophy, whereby citizens and stakeholder were actively involved in the consultation phases before the strategy formulation, as in the cases of Birmingham and Tallinn. In all cases, these strategies are translated into mid-term action plans and connected to sectorial development plans and the city budgets.

The seven city governments, both with their strategies and projects, also illustrated a very active attitude towards their respective futures. The strong need for strategic space in order to create their futures instead of – simply – drifting into the future is boldly highlighted in the cases of Bilbao, Mannheim, Tallinn and Tampere. Such positions in the local administration as ‘Market-Maker’ instead of ‘Market-Taker’ as described by S. Määttä⁴ are a key criterion for the success of their actions.

In addition, efforts have been made to convert these strategies into real brands both within and outside the city administration. Such a (public) corporate identity search and building are illustrated by naming their initiatives in such ways as ‘Achieving more together’ in Mannheim, ‘Tampere Flows’ in Tampere, ‘CHAMPS2’ in Birmingham or ‘Miljøpakken’ in Trondheim.

EXCELLENT AND INNOVATIVE LEADERSHIP AND MANAGEMENT SYSTEMS

Successful city management requires an excellent cooperation between politicians and managers to assure that political visions are implemented and that these visions are translated into the everyday working habits of the administration. In order to change ways of working or introducing new project ideas, priorities have to be championed and personally supported (as well as performed!) by high-level politicians or officials.

Cases like the business transformation in Birmingham, where the second most important politician, the deputy leader, the CEO and the Corporate Director of Business change have provided strong support for the transformation from the start, or the Change2 process in Mannheim to introduce new ways of working in the public administration, which was on the political agenda of the Lord Mayor himself, are clear examples of outstanding political support.

The importance of managerial leadership and creativity are also demonstrated by the City of Milan. At the beginning of the Complaint Desk project, there was no clear strategy, but management soon developed one, linking the project to the overall

⁴ Määttä, S., *Mission Possible. Agility and Effectiveness in State Governance*, Sitra Studies 57, Sitra, Helsinki, 2011, p.17.

political objective of implementing a fully-fledge quality system. The alignment of the project to the overall political goal secured its sustainability and established it as a priority, thus ensuring political support. Furthermore, it would never have reached its full scope and spill-over effects if it had not been for the management, which succeeded in implementing the Complaint Desk despite very limited financial and human resources, by further developing internal software, training internal personnel and deciding on a step-by-step process and gradual usage of the system.

Introducing the mayoral model – a new leadership model with a politically elected mayor giving a ‘recognisable face to the leadership of the city’ – in the City of Tampere, combined with a radical new operational structure – the purchaser-provider model – is a brave decision to improve the leadership of the city, further clear evidence of awareness about the need for a strong leadership system and the willingness and capacity to deliver the public services efficiently and effectively.

A SOLID, YET FLEXIBLE AND AGILE ADMINISTRATIVE ARCHITECTURE REFLECTING POLITICAL PRIORITIES VIA THE ORGANISATIONAL SET-UP

In addition to excellent political and managerial working relations, the priorities of city management should also be reflected in the organisational set-up, by putting them under direct control of the Lord Mayor (ideally!) or other senior politicians and officials.

The case of Bilbao is a bold example in this respect, as the budget was re-allocated directly under the competence of the Mayor, instead of having it integrated in the Directorate of Economy as is the usual organisational set-up of local public administrations. This direct control of the Mayor hence ensures the political objective of a zero-debt budget and austerity measures. The setting up of the ‘Efficiency and Austerity Committee’ to implement the Austerity and Efficiency Plan is another example of using (human) resources strategically. Mannheim is a similar example, where the change management unit, which was created from scratch as an internal consultancy to coordinate, standardise and monitor the change process, reports directly to the Lord Mayor.

In the cases of Birmingham and Trondheim, the flagship projects of the business transformation or the GPA are organised in a matrix structure and unite personnel of the different departments concerned. While in the Birmingham case, staff for the transformation process is solely dedicated to the project in order to avoid interference and prioritisation of everyday operational tasks, Trondheim staff is still performing its operational tasks, which sometimes leads to tensions when the project work has to be prioritised.

Regarding the City of Milan, the importance of the Complaint Desk is shown by making it an integrated part of the MCS. It passed from being a ‘container of city

users' complaints' to a strategic key of Milan's MCS. Thus, it was moved from the Quality Directorate to the Management Control System and Audit Directorate, giving it a much more central position for the city's overall quality system and management.

In the City of Tampere, the purchasing committees are placed under direct control of one of the four deputy mayors, which assures high-level political attention to the new purchaser-provider model. It is an excellent example of a private sector-oriented approach, a service provision steered by contracts within an organisational architecture in which the quality of services is championed regardless of the manner in which they are produced.

CREATIVE COMMUNICATION TO SPREAD CULTURAL CHANGE WITHIN AND BEYOND THE ADMINISTRATION, COUPLED WITH TRANSPARENCY AND STAKEHOLDER INVOLVEMENT

Internal and external communication actions play a crucial part in the seven cities. Especially if the overall city strategy has been developed top-down, sophisticated dissemination – especially at the level of employees – is essential to ensure the penetration and alignment of the overall administration. Internally, common actions include training sessions for employees, flyers and (team) meetings. Externally, these range from local advertisement via flyers, local TV channels or radio, to information days.

The City of Mannheim developed highly creative and smart communication solutions for changing the way in which the city administration works. At the internal level, these included: the 'Guidelines on leadership, communication and cooperation', which outline the change vision of the City of Mannheim; deliberations with the general staff council at the start of the change process to secure the framework of the modernisation process comprised of non-redundancy and no-demotion policies for the employees; innovative communicating actions such as the mobile espresso bar ('*VeränderBAR*'), a theatre play, quarterly talks with the mayor, climate checks, town hall meetings, etc.; and the strengthening of the local decision-making processes by reinforcing the role of the City Advisory Council.

Regarding the interaction with citizens and stakeholders, Birmingham's model walk-in centres, road shows and the transformation expo are innovative approaches, as is the use of social media in the case of Bilbao to reach the majority of all neighbourhoods.

Trondheim's Miljøpakken logo placements on boards at the construction sites describing the project and its progress, as well as on notifications of user payments for public services or local taxations, are other outstanding examples of raising and building the necessary awareness and subsequently support among citizens.

INTELLIGENT ICT-SUPPORTED SOLUTIONS

As widely known, the effect of ICT is complex and touches on all aspects of life. From the (local) government perspective, an integrated, strategic and coherent approach for stimulating and facilitating the development and deployment of ICT for the common welfare is necessary. To this end, European public administrations – including our seven city cases – have implemented (deep) reforms by using smart technology solutions to reduce bureaucracy, simplify procedures, reallocate resources and increase overall quality of the public services provided.

In addition, social media and the connection of often disperse electronic databases across the administration are part of the cities' ICT development. Sometimes greater efforts and investments have been made towards the latter in our cases to guarantee sustainability and to achieve the expected benefits, both financially (lower costs) and in terms of organisation, by means of better integration of front-mid-back office e-Solutions.

For instance, the interconnectivity of ICT-enabled solutions linked to reengineering of the back office (e.g. the digital document management) and this being realised on a large scale is a brand mark of the City of Tallinn. Its stakeholder-centred governance and the 'needs of citizens first' approach combined with all facets regarding full transparency measures of the administrative operations enhance the efficiency and make this case a telling story. Decisive political leadership and support has been particularly important, not only for the focus on ICT as such in the government, but also for the business orientation, the dialogue with private actors thus enhancing its overall competitiveness, also taking into account – as mentioned earlier – that business promotion is not stipulated by law as a task for local authorities in Estonia.

Finally, all different types of content and management information systems (SAP and ERP, traffic light or voyager financial management system) have been identified across the seven administrations (see for instance the City of Bilbao, Mannheim, Birmingham and Milan) in order to produce sound, accurate and rapid data and information for the various stakeholders in question, as well as to monitor and provide support to decision-making while improving service delivery.

SOUND PERFORMANCE CONTROL

While with different nuances and characteristics, in all the seven cities analysed, the MCS, i.e. the management and coordination of resources with the organisation's targets of performance, plays a relevant role in determining the organisations' successes.

As highlighted above, the MCS is the managerial activity that is located between strategic planning, which determines an organisation's goals and the activities needed to achieve/attain them, and task control. While the strategic planning process takes

place in the context of a broader political process – involving the mayor, city council, elected officials and the like – the MCS involves mainly managers, at all levels, within the organisational structure and aims towards effective and efficient organisation programmes. To this end, an effective programme is one that moves the organisation toward its goals, and an efficient programme is one that accomplishes its purposes at the lowest possible cost.

The MCSs adopted by the seven cities vary considerably. They reflect not only the set of rules and administrative traditions within which they operate, but also the different levels of maturity of the systems as they are currently implemented. Yet, all cases incorporate one or more characteristics of good management control.

The MCS is a total system embracing all aspects of a local government's operations. This is in response to the need by senior management to have access to information about all parts of the local government's operations, and to steer and control the organisation overall.

In the City of Birmingham, austerity measures coupled with the business transformation programme have shifted the emphasis from transactional information to management information, with the aim of supporting better decisions in all areas of operation. In the City of Mannheim the budget considers both strategic and operational targets and alignment between financial and nonfinancial information have been provided. The City of Milan's MCS structure is divided in two levels: a first level that refers to strategic goals and reflects the higher level of a hierarchy's needs; and a second level which is complimentary and used to steer junior managers and their subordinates so as to link each of the 15,700 employees' goals to the municipal mission.

A basic principle of social psychology is that persons act according to their perceived best interests. Because of this, one characteristic of a good MCS is goal congruence, i.e. that it encourages managers to act in accordance with both their own best interests and the best interests of the local government as a whole. In the language of social psychology, the system should encourage goal congruence – it should be structured so that the goals of individual managers are consistent with the goals of the local government as a whole.

The Municipality of Bilbao guarantees goal congruence by a bottom-up approach, where every municipal department participates in budget preparation based on a draft strategy where they can propose to the Mayor to begin or end programmes, and who remains responsible of final decision. Performance-related pay, workshops that encourage a 'can-do' culture amongst employees, and awards that recognise both individual and teamwork achievements whilst fostering goal alignment between organisational and individual performance, have been implemented in the City of Birmingham. In the City of Milan, the Complaint Desk offers a unique opportunity to receive rapid feedback on major weaknesses, so as to have the possibility for

managers to put in place corrective actions. A bi-annual bonus system for good working results by employees is in place in the City of Tallinn. One of the key success criteria of the City of Tampere's MCS is the connection between budget and city strategy, allowing a long-term view. Trondheim portrays an interesting case of goal alignment, not only at the inter-organisational level by means of the expert groups within the municipality coordinated by the executive committee, but also at the intra-organisational level (municipality vs. county and national governments) by means of the 'Liaison Committee'. This strong political steering group received the mandate of the City of Trondheim to carry out the GPA and has thus the full power to exercise leadership and enforce all required actions. This set-up ensures that public officials work in line with the project goals and prioritise the project.

Measurement, as part of the MCS, essentially encompasses outcome-orientation, productivity and efficiency. Strategic budgets and target-driven approaches, especially for management – such as target contracts for individual managers to ensure accountability, and results in the case of Mannheim, benefits-driven change monitored by specific persons in charge of realising the benefits in the case of Birmingham's transformation process, or scorecards and service contracts of the provider purchaser model in the case of Tampere – are innovative approaches across the seven cases. Needless to say that management targets are linked to the corresponding government plans and overarching city strategies.

INTEGRATED FINANCIAL MANAGEMENT SYSTEMS

A good MCS is built around a financial structure. It means that the accounting system provides a unifying core to which managers can relate other types of information or, in other words, financial (accounting) information are linked to non-financial information. Because most local governments use cash accounting, the financial information used by their MCSs tends to be deficient – it fails to account properly for resource inflows and outflows⁵.

In the City of Mannheim the budget of the city provides costs for each product under an accrual accounting perspective so as to consider depreciation in the total expense figures. Although the financial structure is usually the central focus, non-monetary measures are also important parts of the system. The council's integrated reports provide information on revenue, capital and service performance in a single view in the City of Birmingham, so as to foster better allocation of resources; an outcome-based planning framework directly related to the council plan is also adopted. In the Cities of Mannheim, Bilbao and Tampere – to various degrees – each budget item

⁵ Resources inflows and outflows should be accounted according the accrual method of accounting, i.e. when the transaction occurs rather than when payment is made (or received). For further discussion see Padovani, E. and D.W. Young, *Managing Local Governments. Designing Management Control Systems That Deliver Value*, Routledge, London and New York, 2012, chapter 2.

is linked up and contributes to (at least) one strategic target. The City of Tallinn's monitoring system provides financial accrual-based and non-financial performance measurement, which includes customer satisfaction perspectives by carrying out annual surveys and business and civil society pools to make sensitive decisions.

Moreover, all management control processes tends to be rhythmic (from Greek, '*rhythmos*': flow). Although the pathways differ considerably amongst the seven cases, the constant characteristics are that the process of MCS follows a definite pattern and timetable: month after month, year after year. In budget preparation, certain steps are taken in a prescribed sequence and at certain times each year⁶. However, some characteristics investigated call for particular attention.

A wide involvement of such stakeholders as public and voluntary sectors, special interest groups, business-rate payers, is in place in the City of Birmingham. The City of Mannheim has implemented a complex pathway for the definition of the overall budget that involves not only the directorates, the mayor, the vice mayor, the treasury and a number of council committees, but also citizens, private agencies, and churches implementing a participatory budgeting approach. In the City of Milan the budget preparation includes a sequence of meetings for the discussion of non-financial performance targets that involve more than 500 from amongst senior managers, junior managers, officials and employees.

In medium-sized organisations like in the seven cities investigated, the need to have a 'rhythm' may also involve the use of ICT solutions. For example, the Municipality of Bilbao uses SAP software to improve the programming and budgeting phases as well as to make continuous (on a daily basis) financial control possible. The City of Birmingham makes use of interconnected ICT solutions for financial management, human resources-related information and performance management. The City of Mannheim has a quarterly budget report, and bi-monthly monitoring of project savings/revenue increases thanks to management information system software that makes regular and accurate acquisition, recording and elaboration of data possible. By means of SAP software, a sophisticated monthly budget reports together with ad hoc reports to city executives and access to real-time financial information are available in the City of Tallinn.

An MCS should be a coordinated, integrated (financial) management system. Although data collected for one purpose may differ from those collected for another, these data should be reconcilable. Although this is a single system, in some local governments it also consists of two interlocking subsystems – one focused on programmes and one on responsibility centres.

⁶ This includes the dissemination of guidelines, preparation of estimates, transmission of these estimates up through the several echelons of the organisation, review of these estimates, final approval by senior management and dissemination back through the organisation.

The City of Bilbao presents an interesting example of how the MCS is strictly interconnected with the claims and tax collection management systems. Similarly, the Complaint Desk of the City of Milan supports MCS by pointing out structural problems based on complaints reports and by providing ad hoc customer satisfaction surveys, which at the end of the day may affect the process of negotiation of resources. The information used for financial forecasts on the revenues side is also used for programming and budgeting programmes and services in the City of Tampere.

In any case, discussing excellence in public management during an era of constrained resources may sound like a chimera. But the seven cases portrayed here are examples suggesting that smart and innovative ideas might be successfully applied to public sector organisations to deliver more and better services with a limited economic impact. Each case has demonstrated success in facing specific financial management problems.

In a nutshell, for each city, the most important financial management results are summarised below:

- **City of Bilbao:** Debt-free city and payments to providers made in 35 days (as opposed to an average of 160 days in Spanish public sector).
- **City of Birmingham:** Increased performance in the payment of invoices (by volume), from around 40% to 96% (2007 to 2011).
- **City of Mannheim:** Reduction of current expenses by 10% in four years (2007 to 2011).
- **City of Milan:** Reduction of accounts payable (delays in payment of invoices) of 20% in five years (2006 to 2011).
- **City of Tallinn:** Yearly surplus starting from 2000.
- **City of Tampere:** Balance in the city's finances (financial sustainability).
- **City of Trondheim:** Trondheim has had a stable and predictable budget with a surplus for years, even increasing its surplus from 2010 (49.6 million NOK, roughly €6 million) to 2011 (141 million NOK, roughly €17.5 million).

In **conclusion**, our seven 'journeys to success' portray possible ways to foster better performance in local governments. We have learnt that many possibilities are at hand, from comprehensive local business-change processes to smaller bottom-up projects, but all combine the same seven steps: strong strategies and long-term visions, excellent and innovative leadership systems, solid but flexible administrative architecture reflecting political priorities, sophisticated activities to spread cultural change within and outside the organisation, intelligent ICT systems, good performance control integrated with financial management. With this wide spectrum of ideas, local policy-makers and managers might be inspired to implement some in their cultural and organisational context. Are they ready to take on the challenge?

GLOSSARY

APMG	Examination Institute which accredits training and consulting organisations, and manages certification schemes for professionals
AS	Anonymous Society (Legal form of a company)
BBVA	Spanish banking group (<i>Banco Bilbao Vizcaya Argentaria</i>)
BIE	International exhibitions bureau (<i>Bureau International des Expositions</i>)
CD	Complaint Desk
CEO	Chief Executive Officer
EFQM	European Foundation for Quality Management
EIPA	European Institute of Public Administration
EPSA	European Public Sector Award
ERP	Enterprise resource planning
ESN	Evaluation summary notes
ESPON	European Observation Network for Territorial Development and Cohesion
EU	European Union
EUSTAT	Basque Institute of Statistics
FVA	Change Management Team
GDP	Gross domestic product
GHG	Greenhouse gas
GPA	Green Partnership Agreement
HR	Human resources
ICT	Information and Communication Technology
ID	Identification
INAIL	Italian Government Agency for work-related injury insurances
INE	Spanish Institute of Statistics
ISO	International Organisation for Standardisation
IT	Information Technology
KPI	Key performance indicator
LANBIDE	Basque Unemployment Service
MCS	Management control system
NEET	Not in Education, Employment or Training
NGU	Geological survey of Norway
NINA	Norwegian Institute for Nature Research
NKHR	New local budgeting and accounting system
NOK	Norwegian Krone
NPRA	Norwegian Public Roads Administration
NTNU	Norwegian University of Science and Technology
OECD	Organisation for Economic Co-operation and Development

PC	Personal computer
PISA	Programme for international student assessment (OECD)
PMO	Programme management office
PP	People's Party
PSOE	Spanish Socialist Worker's Party
R&D	Research and development
SAP®	Software for real-time data processing
SINTEF	Foundation for scientific and industrial research
SME	Small and medium enterprise
SWOT	Strengths, Weaknesses, Opportunities, Threats analysis
UNDESA	United Nations Department of Economic and Social Affairs
UNI	Italian organisation for standardisation
VFM	Value for money

COUNTRY CODES

DE	Germany
EE	Estonia
ES	Spain
FI	Finland
IT	Italy
NO	Norway
UK	United Kingdom

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IN SEARCH OF LOCAL PUBLIC MANAGEMENT EXCELLENCE SEVEN JOURNEYS TO SUCCESS

A well-functioning local public sector is the cornerstone for prosperity and growth. Cities are being confronted by significant pressures and challenges, such as demographic change, an increasingly culturally diverse population, the impact of new technologies, social polarisation and segregation, urban sprawl, and environmental threats to the urban ecosystems. More importantly, the difficulties of the economic system are a reality for many local communities due to the dynamics of globalisation of economies. This exacerbates the well-known problem faced by local policymakers and managers of '*doing more with less*'.

This book seeks to examine, compare and contrast seven European cities – **Bilbao** (ES), **Birmingham** (UK), **Mannheim** (DE), **Milan** (IT), **Tallinn** (EE), **Tampere** (FI), and **Trondheim** (NO) – which have proven their success in adopting creative and excellent solutions. This is done by combining a solid scientific approach of comparison, with a more practical examination of the cases ('...*the making of...*'). It concludes by presenting **seven steps** leading to excellence.

Each case is first analysed in terms of background, strategy development, 'journey', management control system and financial management, results, and innovation power (key drivers and enablers). These success stories from different areas of local public management – from comprehensive local business-change processes, to smaller and bottom-up projects – aim to show other cities that various routes to smart solutions are possible. The only thing left to find out is: are they ready to take on the challenge?

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