

# **Act no. 83 of 22 June 2018 relating to municipalities and county authorities (the Local Government Act)**

*Prop.46 L (2017–2018), Proposition to the Storting (Bill), Innst.369 L (2017–2018) Recommendation to the Storting, Statute 81 (2017–2018). The first and second reading of the Storting on 7 and 11 June 2018, respectively. Put forward by the Ministry of Local Government and Modernisation.*

*The following Acts are repealed:*

*Act no. 107 of 25 September 1922 relating to municipalities and county authorities (the Local Government Act).*

Most recently amended: Act no. 97 of 23 June 2020 brought into effect 30 December 2020

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# **Part I**

## **General provisions**

# Chapter 1. The purpose and scope of the Act

## **Section 1-1 The purpose of the Act**

The purpose of this Act is to promote local self-government and provide the necessary frameworks for this. The Act shall facilitate the local representative government and a strong representative local democracy with active inhabitant participation.

The Act shall facilitate that municipalities and county authorities can provide services and engage in community development for the benefit of the inhabitants. The Act shall also facilitate the exercise of public authority by the municipalities and the county authorities. Furthermore, the Act shall help the municipalities and the county authorities to be efficient, confidence-inspiring and sustainable.

## **Section 1-2 The scope of the Act**

The Act applies to the activity of municipalities and county authorities.

# Chapter 2. Municipal and county self-government

## **Section 2-1. Municipal and county self-government**

Norway is divided into municipalities and county authorities with their own popularly elected leadership.

Each municipality and county authority is a separate legal entity and can make decisions on its own initiative and responsibility.

The municipalities and the county authorities exercise their self-government within national frameworks. Limitations in the municipal and county authority self-government must be authorised by law.

## **Section 2-2. Principles for national authorities' relations with municipal and county authority self-government**

The municipal and county authority self-government should not be limited more than is necessary to safeguard national objectives.

Public duties should preferably be assigned to the administrative level closest to the inhabitants. Within the frameworks of national economic policy, municipalities and county authorities should have a free income that provides a financial scope of action.

## Chapter 3. Structure of local government and names of local authorities, etc.

### **Section 3-1. Structure of local government and names of local authorities**

Each municipality belongs to one county. Each county, except Oslo, forms a county authority.

Any change in the structure of the municipalities and county authorities shall be decided pursuant to statutory provisions.

Any change of name of a municipality shall be decided by the King. Before the question of the name change can be decided, a statement shall be obtained from the municipality or municipalities concerned.

The county authority shall have the same name as the county.

### **Section 3-2 The municipal coat of arms and flag**

The municipal council shall itself decide on the municipal coat of arms and flag. The county council shall itself decide on the county authority coat of arms and flag.

It shall not be possible to easily confuse municipal and county authority coats of arms and flags with an existing municipal or county authority coats of arms or flags, other distinctive mark, seal or sign that comes under section 165, letter b or section 166 of the Penal code, a state flag or anything that may be perceived as such a distinctive mark, seal, sign or flag.

The municipality and county authority shall without undue delay send decisions on the municipal and county authority coats of arms and flags to the National Archive Services of Norway. The National Archive Services of Norway shall publish the received coat of arms and flag without undue delay. The Ministry may lay down regulations on submission and publication.

## Chapter 4. Information concerning the activity of municipalities and county authorities

### **Section 4-1 Information concerning the activity of municipalities and county authorities**

Municipalities and county authorities shall actively inform about their own activities and activities that other legal persons carry out on behalf of municipalities and county authorities. They shall also facilitate that everyone has access to such information.

# **Part 2**

## **The popularly elected representatives**

# Chapter 5. Local government organisation.

## Popularly elected bodies

### Section 5-1. Popularly elected bodies

Popularly elected bodies shall be established under the provisions of this Act or under the provisions relating to such bodies in other legislation.

Popularly elected bodies under this Act are

- a. municipal councils and county councils
- b. municipal executive committees and the county executive committees
- c. municipal executive boards and the county executive boards
- d. committees, including the municipal district committees and the control committees
- e. working committees
- f. joint, elected boards in host municipality cooperation
- g. municipal council and county council committees
- h. boards for parts of the municipal or county authority activities in parliamentary governed municipalities or county authorities
- i. boards of representatives and other governing bodies for an intermunicipal political council
- j. boards of representatives for a municipal task community
- k. municipal or county elected bodies pursuant to special law.

Popularly elected bodies stated in the second paragraph, letters a to d and g, shall have names that include the term used for the body there. The term "by" (town) or "herad" (rural municipality) may be used instead of the term municipal.

In this Act, popularly elected representatives mean members of

- a. the municipal councils and the county councils
- b. persons that a popularly elected body has elected to a popularly elected body or other municipal body pursuant to section 5-2.
- c. members of a municipal district committee elected by direct elections pursuant to section 5-8
- d. chair of a municipal or county executive board appointed by the mayor pursuant to section 10-5 first paragraph
- e. members of a municipal or county executive board appointed by the chair of the municipal or county executive board pursuant to section 10-5 second paragraph

However, persons stated in section 7-3, first paragraph, letter b and c, who have been elected to a subordinate governing body in a municipal task community, are not considered popularly elected representatives.



### **Section 5-2. Other municipal bodies**

Other municipal bodies shall be established under the provisions of this Act. Other municipal bodies under this Act are

- a. multi-party committees
- b. board of directors of an institution
- c. subordinate governing bodies for a municipal task community
- d. board of a municipal or county authority undertaking.
- e. council for senior citizens, council for persons with disabilities and youth council or other representative bodies for young people.

The same provisions apply for other municipal bodies as for popularly elected bodies pursuant to section 5-1.

### **Section 5-3. Municipal council and county council. Internal delegation**

The municipal council and the county council are the highest municipal and county bodies.

The municipal council makes decisions on behalf of the municipality, and the county council makes decisions on behalf of the county authority, unless otherwise stipulated by statutory provisions.

The municipal council and the county council may delegate decision-making authority to other popularly elected bodies, the mayor or chief municipal executive within the framework of this Act or other Acts.

### **Section 5-4. The municipal council and the county council's authority to delegate decision-making authority to other legal persons**

For matters pertaining to statutory tasks, the municipal council and the county council may delegate the decision-making authority to other legal persons as far as the statutory provisions permits.

For other matters, the municipal council and the county council may delegate decision-making authority to other legal persons if the case is not a matter of principal importance.

### **Section 5-5. The composition of the municipal council and the county council**

The members of the municipal council and the county council are elected according to the provisions laid down by law. The municipal council determines its own number of members.

The number of members shall be uneven, and shall meet the following requirements for the minimum number of members:

- a. the municipal council shall have no fewer than 11 members in municipalities that do not have more than 5,000 inhabitants.
- b. the municipal council shall have no fewer than 19 members in municipalities with more than 5,000 but not more than 10,000 inhabitants.
- c. the municipal council shall have no fewer than 27 members in municipalities with more than 10,000 but not more than 50,000 inhabitants.
- d. the municipal council shall have no fewer than 35 members in municipalities with more than 50,000 inhabitants but not more than 100,000 inhabitants.

- e. the municipal council shall have no fewer than 43 members in municipalities with more than 100,000 inhabitants.

The county council determines its own number of members. The number of members shall be uneven, and shall meet the following requirements for the minimum number of members:

- a. the county council shall have no fewer than 19 members in county authorities that do not have more than 150,000 inhabitants.
- b. the county council shall have no fewer than 27 members in county authorities with more than 150,000 inhabitants, but not more than 200,000 inhabitants.
- c. the county council shall have no fewer than 35 members in county authorities with more than 200,000, but not more than 300,000 inhabitants.
- d. the county council shall have no fewer than 43 members in county authorities with more than 300,000 inhabitants.

If the municipal council or county council wants to change the number of members, they must decide this themselves by the end of December in the penultimate year of the election period. The change takes effect from the next election period.

It is the number of inhabitants in the municipality or county authority at the end of the penultimate calendar year before the election that determines what the minimum lawful number of members is. If it is proven that the number of members at this time is too small in relation to the number of inhabitants and no decision for enlargement has been made, the number of members must be increased to the statutory minimum at the next election.

#### **Section 5-6. The municipal executive committee and county executive committee**

The municipal council and the county council themselves shall elect the municipal executive committee and the county executive committee, with no fewer than 5 members. However, this does not apply to municipalities and county authorities that have introduced a parliamentary form of government.

Members and alternate members are elected for four years to the municipal executive committee and county executive committee by and from the members of the municipal council or county council. The election is conducted as an election by proportional representation when at least one member so requires, and otherwise as an election by agreement.

The municipal executive committee and the county executive committee may appoint a working committee composed of members from the municipal executive committee or the county executive committee.

The municipal executive committee and the county executive committee may authorise the working committee to decide on matters that have no principal importance unless the municipal council or county council have decided otherwise.

The municipal executive committee and the county executive committee recommend the adoption of the municipal council or county council's proposal in financial matters as stated in section 14-3, third paragraph and of tax resolutions. The municipal executive committee and the county executive committee may be empowered to make decisions in all matters, unless otherwise provided by statute.

**Section 5-7. Committees**

The municipal council and the county council may themselves appoint committees for municipal and county purposes and parts of the municipal or county activity. The municipal council may itself also appoint a committee with responsibility for a geographical part of the municipality (municipal district committee). Committees pursuant to this paragraph shall have at least three members.

The municipal council and the county council themselves elect a chair, a deputy chair and other members and alternate members to the committee. The municipal council and the county council themselves determine what kind of matters the committee shall deal with. The committee may be delegated decision-making authority, unless otherwise stipulated in statutory provisions.

The committee may appoint a working committee with members elected from among the members of the committee. This requirement does not apply when the municipal district committee elects a working committee.

The committee may authorise the chair or the working committee to make decisions in matters that have no principal importance unless the municipal council or county council have decided otherwise. Municipal district committees may also grant the head of the administration in the municipal district corresponding authority.

The municipal council and the county council may themselves at any time reorganise or disband a committee.

**Section 5-8. Direct election to the municipal district committee**

The municipal council may itself decide that the members of one or more municipal district committees shall be elected by the inhabitants of the district concerned (direct election). Where the members of the municipal district committee are elected by direct election, the committee itself elects the chair and deputy chair. In the case of direct elections to the municipal district committee, the provisions of the Election Act apply in so far as they are appropriate.

The municipal district committee that has been elected by direct election cannot be reorganised or disbanded in the period.

The Ministry may lay down regulations on direct election to municipal district committees.

**Section 5-9. Municipal council and county council committees**

The municipal council and the county council may themselves appoint municipal council committees and county council committees as preparatory bodies for the municipal council and the county council. Such committees must have no fewer than three members. The committees may not be granted decision-making authority.

The municipal council and the county council themselves divide all the members of the municipal council and the county council into municipal county committees and county council committees and elect a chair and deputy chair of the committees. The mayor may be exempt from election to the committees if the municipal council or county council so decides. Alternate members to the committees are elected from among the municipal council and the county council's alternate members.

The election is conducted based on a recommendation that contains the names of the proposed members and alternate members of the committees. The recommendation shall contain as many names as the number of members of each committee and shall state the group that each member represents. The recommendation may also contain the names of alternate members. The number of alternate members may be up to two more than the permanent members. The recommendation is adopted by an ordinary majority.

The committees shall be composed proportionally according to the gender distribution of the municipal council or the county council. Alternate members of the committees are elected in the same way.

If a member is relinquished from the municipal council or county council, the new member of the municipal council or county council shall take over the committee position of the member that has stepped down.

The committee may appoint a working committee with members from the committee unless the municipal council or county council themselves have decided otherwise.

The municipal council and the county council may themselves at any time reorganise or disband municipal council committees and county council committees.

#### **Section 5-10. Boards of institutions**

The municipal council and the county council may themselves appoint separate boards for municipal or county institutions. Such boards shall have no fewer than three members.

The municipal council and the county council themselves issue provisions concerning the composition of the board. They may determine that the board shall wholly or partly be appointed by the chief municipal executive, or that the board shall wholly or partly be elected by the employees or the users of the institution concerned. Members who shall not be appointed or elected in such a manner are elected by the municipal council and the county council themselves.

The municipal council and the county council may themselves grant the board of municipal or county authority institutions the authority to make decisions concerning the running and organisation of the institution.

The municipal council and the county council may themselves at any time reorganise or disband such boards.

**Section 5-11. Multi-party committee (administration committee)**

In all municipalities and county authorities, one or more multi-party committees (administration committees) shall be appointed to deal with matters concerning the relationship between the employees and the municipality or county authority as an employer. If at least 3/4 of the employees so wish, such committees may be replaced by other arrangements.

Multi-party committees are composed of representatives of the municipality or county authority and the employees. The employee representatives are elected by and among the employees for two years at a time. The majority of the committee shall be composed of representatives of the municipality or the county authority. The municipal council and the county council elect themselves the municipality or county authority's representatives and the chair and deputy chair of the committee from among these.

The eligibility provisions of sections 7-2 and 7-3 apply to the employee representatives, except for the residence requirement.

In addition, the same provisions apply as for other committees pursuant to section 5-7.

**Section 5-12. Council for senior citizens, council for persons with disabilities and youth council or other representative bodies for young people**

The municipal council and the county council shall themselves elect a council for senior citizens, a council for persons with disabilities and a youth council or other representative body for young people.

At the time of election, the majority of the members of the council for senior citizens shall have reached 60 years of age.

The youth council or other representative body for young people shall have an election period of up to two years. At the time of election, the members of the youth council or other representative body for young people shall not have reached 19 years of age.

The councils or other representative body for young people are advisory bodies for the municipality or county authority and have the right to comment on matters concerning senior citizens, persons with disabilities and young people, respectively.

The Ministry issues regulations on tasks, organisation and procedure for the councils or other representative body for young people.

**Section 5-13. Rules for popularly elected bodies**

Popularly elected bodies shall have a set of rules that determine

- a. the scope of the popularly elected body and any decision-making authority
- b. the period for which the popularly elected body has been appointed
- c. any other key provisions relating to the activities of the popularly elected body.

The obligation under the first paragraph does not apply to the board of representatives and other governing bodies for intermunicipal political councils, the board of representatives and other governing bodies for the municipal task community and the boards of municipal or county authority undertakings.

#### **Section 5-14. Rules for delegation and recommendations**

The municipal council and the county council determine themselves a set of rules on how decision-making authority and the right to put forth recommendations shall be delegated. This shall be done by 31 December the year after the municipal council and the county council were constituted. The last set of rules adopted and any other decisions on delegation and the right to put forth recommendations apply until a new set of rules has been adopted.

#### **Section 5-15. Transferring powers to enter into a collective bargaining agreement**

The municipal council and county council may themselves grant an organisation of municipalities or county authorities the power to enter into and terminate collective bargaining agreements and give or receive collective notice of termination of work on behalf of the municipality or county authority.

## **Chapter 6. Mayor**

#### **Section 6-1. The authority and duties of the mayor**

The mayor of the municipality is the chair of the municipal council and the municipal executive committee. The mayor of the county authority is the chair of the county council and the county executive committee.

The mayor is the legal representative of the municipality or county authority and signs on behalf of the municipality or the county authority unless the authority is assigned to others.

The mayor has the right to attend and speak, as well as the right to make proposals at meetings with all municipal or county authority bodies, except the municipal executive board and the county executive board and bodies under these. The mayor only has the right to attend and speak at meetings of the control committee. The mayor only has the right to vote in bodies where he or she is an elected member. The mayor may allow another member of the municipal council or the county council to represent him or her in bodies of which he or she is not a member.

The county council and municipal council may empower the mayor to

- a. make decisions in individual matters that are not of principal importance
- b. make decisions in urgent matters pursuant to section 11-8, first paragraph
- c. appoint a committee to prepare cases that do not have principal importance.

The municipal executive committee and the county executive committee may authorise the mayor to make decisions in matters that have no principal importance unless the municipal council or county council have decided otherwise.

The mayor shall report to the municipal council or county council on how the delegated authority has been used.

### **Section 6-2. Election of the mayor and deputy mayor**

The municipal council and the county council elect themselves the mayor and deputy mayor from among the members of the municipal executive committee or the county executive committee.

Prior to election, the person who is elected must have agreed to stand for election. The mayor and deputy mayor are elected for the entire election period.

In municipalities and county municipalities that have a parliamentary form of government, the mayor and the deputy mayor shall be elected from among the members of the municipal council or county council.

If the mayor relinquishes office temporarily, the deputy mayor takes over as mayor. A new deputy mayor shall then be elected temporarily. If the mayor retires from office, a new mayor shall be elected.

## **Chapter 7. Election to popularly elected bodies**

### **Section 7-1. Constituent meeting of the municipal council and the county council**

As soon as the final allocation of votes has been settled, the incumbent mayor shall convene a constituent meeting of the newly elected municipal council or county council. The members shall be summoned with at least 14 days' notice and the meeting shall be held by the end of October. There is a quorum when no fewer than 2/3 of the members of the municipal council and the county council are present.

As the first order of business at the constituent meeting, the municipal council or the county council shall decide whether the municipal council election or the county council election is valid, cf. section 13-4, first paragraph of the Election Act. If the municipality has held direct elections to the municipal district committees, the municipal council shall also decide on whether this election is valid before other elections are held.

When it has been decided that the elections as stated in the second paragraph are valid, the municipal council and county council elect the executive committee or the county executive committee, the mayor, the deputy mayor and the control committee for the new term of office. Members of other popularly elected municipal or county bodies and chairs for these bodies should also be elected at the constituent meeting. Election of the chair may be left to the body itself unless this Act or another Act determines otherwise.

The municipal council, county council, municipal executive committee, county executive committee and control committee shall commence their functions at the constituent meeting. Other popularly elected bodies, the mayor and the deputy mayor commence their functions as soon as they are elected.

For popularly elected bodies, where new members are not elected at the constituent meeting, the incumbent members' term of office is extended until a new election is held, but no longer than to the first turn of the year in the new election period.

## **Section 7-2. Eligibility and duty to serve**

This provision applies to elections to

- a. municipal executive boards and the county executive boards
- b. committees, including municipal district committees, control committees and multi-party committees
- c. joint, elected boards in host municipality cooperation
- d. the board of an institution
- e. boards pursuant to section 10-8
- f. board of representatives and other governing bodies for an intermunicipal political council
- g. board of representatives and other governing bodies for a municipal task community
- h. the board of a municipal or county authority undertaking.
- i. a municipal or county elected body authorised by special law
- j. working committees elected by the municipal district committees.

Eligibility and the duty to serve on the municipal council and the county council are regulated in section 3-3 of the Election Act.

A person is eligible and has a duty to serve if the following conditions are met:

- a. He or she has the right to vote in municipal council and county council elections.
- b. He or she is entered in the population register as being resident in the municipality or in one of the municipalities in the county at the time of the election concerned.
- c. He or she has provided written consent to stand for election.

When the board of an institution, a board pursuant to section 10-8, other governing body for municipal task community than the board of representatives, or the board of a municipal or county authority undertaking shall be elected, those who are entered in the population register as being resident in another municipality when the election takes place are also eligible.

People who have not reached voting age, but who otherwise meet the conditions for eligibility and the right to vote, are eligible but do not have the duty to serve.



### **Section 7-3. Excluded from election**

Excluded from election to bodies stated in section 7-2 are

- a. county governors and assistant county governors
- b. the chief municipal executive of the municipality or the county authority and his or her deputy
- c. heads of municipal affairs, division directors and managers at a corresponding level
- d. secretaries for the municipal council or county council
- e. the person responsible for the accounting function in the municipality or county authority
- f. those who conduct audits on the municipality or county authority
- g. employees of the secretariat who provide services to the control committee in the municipality or the county authority
- h. employees of the secretariat of the municipal executive board or county executive board who have been delegated authority by the board.

The first paragraph, letters b and c do not apply in elections to subordinate governing bodies in municipal task communities.

Members and alternate members of the control committee cannot be elected as

- a. mayor or deputy mayor
- b. a member or alternate member of the municipal executive committee or county executive committee
- c. a member or alternate member of municipal or county elected bodies with decision-making authority
- d. a member of the municipal executive board or county executive board
- e. a member or alternate member of the municipal county committee or the county council committee.

In case of election to the municipal district committee, the municipal council themselves may decide that only those who are entered in the population register as being resident in the municipal district, are eligible.

The person responsible for the accounting in a municipal or county authority undertaking is not eligible for election onto the board of the undertaking. The person responsible for the accounting or a person conducting audits of the intermunicipal political council or municipal task community is not eligible to the board of representative or other governing bodies in the organisation.

A candidate at the municipal council election is not eligible for election to the polling committee in the municipality, cf. section 4-2 of the Election Act. A candidate in the parliamentary election or county council election is not eligible for election onto the polling committee in the municipalities in the constituency.

A candidate who would otherwise be disqualified from election by virtue of his or her job is still eligible if he or she has resigned from his or her job when the body commences its functions.

**Section 7-4. Election by proportional representation, agreement election or majority votes**

Members of popularly elected bodies shall be elected through election by proportional representation if at least one member so requires. In other cases, the members shall be elected through election by agreement.

The chair and deputy chair of popularly elected bodies shall be elected by majority vote.

**Section 7-5. List proposals in elections by proportional representation**

Elections by proportional representation are conducted based on submitted lists of proposed candidates. The lists shall be submitted in advance. Parties or coalitions that are represented in the electing body may only submit one list proposal each. The list may contain up to twice as many different names as the number of members to be elected. Candidates from a party or coalition may only be included on the party or coalition's list proposal or a joint list issued by more than one party or coalition.

If four or more members shall be elected, each gender shall be represented by at least 40 per cent of the proposed candidates on each list. If two or three members shall be elected, both genders shall be represented. In the case of elections to any popularly elected body consisting by law only of members of the municipal council or county council, and for elections to working committees of any popularly elected body, these rules shall be followed insofar as possible.

The list proposal must be signed by at list one member of the party or coalition that submits the proposal. The person who signs the proposal must be a member of the electing body.

**Section 7-6. Elections by proportional representation - allocation of votes**

At the final allocation of votes, the seats are distributed among the lists in proportion to the number of votes the lists have received, using the divisors 1, 2, 3, 4, etc. If several lists have the same quotient, the seat goes to the list that has received the greatest number of votes. If the lists have received the same number of votes, the election is decided by drawing lots.

Once it has been decided how many seats a list will receive, the members from each list are selected in the order in which they are listed on the submitted list proposal.

If a list receives at least four members of the body, each gender shall be represented by at least 40 per cent from the list. If the list receives three or fewer members of the body, both genders shall be represented from the list. If the selection pursuant to the second paragraph means that the requirements laid down in the first or second sentences are not met, candidates from the under-represented gender shall advance as far as possible up the list until the requirement has been met.

In the case of elections to popularly elected bodies consisting by law of members of the municipal council or county council, and for elections to working committees of any popularly elected body, these rules laid down in the third paragraph shall be followed insofar as possible.

Each list shall be allocated alternate members. Insofar as possible, there shall be two more alternate members than permanent members. Seats are distributed among the alternate members in accordance with the provisions of the second and third paragraph.

**Section 7-7. Election by agreement**

The municipal council or the county council may itself decide unanimously that an election to popularly elected bodies shall be conducted as an election by agreement pursuant to this section.

The election shall be conducted based on a recommendation with proposed members and alternate members. The recommendation shall contain the same number of names as the members to be elected, and it shall be stated which party or coalition the members represent. The recommendation may also contain names of alternate members for each party or coalition. The number of alternate members may be up to two more than the permanent members from the party or the coalition. The municipal council or the county council must unanimously adopt the recommendation.

If the body shall consist of no fewer than four members, each gender shall be represented on the body by at least 40 per cent. If the body shall consist of three or fewer members, both genders shall be represented on the body. If it turns out that an election pursuant to the second paragraph means that the requirements laid down in the first and second sentence are not met, the necessary number of candidates from the under-represented gender shall be included to meet the requirement. In the case of elections to popularly elected bodies consisting by law of members of the municipal council or the county council, and for elections to the working committees of any popularly elected body, these rules shall be followed insofar as possible.

The third paragraph applies correspondingly to the election of alternate members.

**Section 7-8. Election by majority vote**

When electing by majority vote, the person who has received more than half the votes cast is elected. If no persons receive such a majority, a new ballot is conducted. The person receiving the most votes in this ballot will be elected. If two or more candidates receive the same number of votes in the second ballot, the election is decided by drawing lots.

**Section 7-9. Relinquishment and exemption**

Any person elected by popular vote, who is no longer eligible to be a member of a popularly elected body, shall be relinquished from the office. Any person elected by popular vote who is registered as having moved from the municipality or county authority, and therefore is not eligible, may still take up office again if he or she moves back within two years.

If a person elected by popular vote cannot attend to his duties without this causing significant inconvenience to him or her, the municipal council or the county council may, following an application, release the person elected by popular vote from his or office temporarily or for the remainder of the term of office. When the application is being assessed, emphasis shall be placed on whether the reasons for the application were known at the time the person elected by popular vote agreed to be elected. Any person who has not reached voting age is entitled to exemption if he or she applies for this.

A person elected by popular vote who has been granted a temporary exemption is not entitled to take up office again until the exemption period is over.

**Section 7-10. Promotion, new election and by-election**

If members are unable to attend a meeting of a popularly elected body, the alternate members are summoned from the group in which there is absence. Alternate members shall as far as possible be summoned in the numerical order in which they were elected.

If a member of other popularly elected bodies than the municipal council and the county council is granted an exemption for at least three months, the municipal council or county council may elect a supplementary member for the period the exemption applies. When electing a supplementary member, the numerical order on the list of alternate members shall be followed.

If a member of the municipal council or county council is relinquished from the office with final effect, and they have been elected by proportional representation, alternate members from the same list shall take their place in the numerical order in which the alternate members have been elected. If members of the municipal council retire with final effect, and they have been elected by majority vote, alternate members shall move up in the numerical order in which they were elected.

If a member or alternate member of another popularly elected body than the municipal council, county council, municipal council committee or county council committee is relinquished from the office with final effect, a new member or alternate shall be elected. The new member shall be elected from the same group as the group to which the retiring member belonged. If this means that one gender will be represented by less than 40 per cent of the members of the popularly elected body, the new member shall, insofar as possible, be elected from the under-represented gender.

If the chair of a popularly elected body retires with final effect from that body, a new chair shall be elected.

If the number of alternate members or a group's alternate members for the municipal executive committee, county executive committee or other popularly elected body that has been elected by the municipal council or county council has become insufficient, the municipal council or county council may elect one or more permanent or temporary alternate members. These alternate members shall be elected from the group that has an insufficient number of alternative members (by-election). Should this procedure lead to one gender being represented by fewer than 40 per cent of the alternate members for the body or the group's alternate members, a new alternate member shall, insofar as possible, be elected from the under-represented gender. The municipal executive committee or the county executive committee may be delegated the authority to elect alternate members to other bodies.

In the event of new elections pursuant to the fourth paragraph and by-elections pursuant to the sixth paragraph, the group itself may propose who shall be elected. The group then informs the municipal council, the municipal executive committee, the county council or the county executive committee who elect the proposed candidate if the statutory eligibility requirements have been met. In the event of or a new election pursuant to the fourth paragraph, the new member or alternate moves up into the vacant seat. In the event of by-elections pursuant to the sixth paragraph, the newly elected alternate is placed at the bottom of the list of alternate members.

### **Section 7-11. Suspension, etc.**

If a charge is brought or an indictment is rendered against a popularly elected representative for such a criminal offence as stated in section 151 to 154, 170 letter b, 171 to 174, 208 to 210, 353, chapter 27 or 30 of the Penal Code, and the charge or indictment relates to the discharge of office or service for the municipality or county authority, the municipal council or county council may itself decide to suspend the person concerned from office until the case has been finally decided. If it concerns an offence stated in section 151 to 154 of the Penal Code, the condition that the offence shall be related to discharge of office or service for the municipality or county authority does not apply.

If an indictment is rendered against the mayor for an offence that may be punishable by a term of imprisonment of more than three years, the municipal council or county authority may itself suspend the mayor from office until the case has been finally decided. The decision shall be made by no fewer than 2/3 of the votes cast.

A popularly elected representative who has been suspended is entitled to compensation for lost earnings, remuneration for work or remuneration through buy-out pursuant to the provisions of sections 8-3, 8-4 and 8-5 for up to one year. However, this only applies if the popularly elected representative has an office that represents at least a 20 per cent position.

The municipal council or the county council may itself decide to remove the mayor from office if by his or her conduct the mayor shows that he or she is unfit to hold the office. The decision shall be made with at least 90 per cent of the votes cast.

A decision to suspend a popularly elected representative or remove a popularly elected representative from the office of mayor is an individual decision pursuant to section 2 of the Public Administration Act.

## **Chapter 8. Rights and duties of popularly elected representatives**

### **Section 8-1 Right and duty to attend meetings**

Members of a municipal or county authority elected body have a duty to attend that body's meetings unless there are valid grounds for absence.

Members who are present at a meeting of a popularly elected municipal or a county authority body when a matter is put to a vote, have a duty to vote. As regards to elections and appointments, members are entitled to cast a blank vote.

### **Section 8-2 The right to time off from work**

Employees are entitled to time off from their work when necessary due to the duty to attend meetings of the municipal or county authority elected bodies.

Employees who hold full or part-time municipal or county authority office are also entitled to leave of absence from their work for four years or the remainder of the election period.

The first and second paragraphs apply in the same way to popularly elected representatives who reside in another Nordic country.

### **Section 8-3 Covering expenses and financial loss**

Any person holding a municipal or county office is entitled to allowances for transport, subsistence and overnight accommodation. The municipal council or county council itself lays down further regulations relating to such remuneration.

Those who incur expenses as a result of official municipal or county authority business are entitled to receive reimbursement of the expenses up to a prescribed sum per day. The municipal council or county council itself lays down rules on reimbursement of such expenses.

Any person who loses income because he or she holds a municipal or county authority office is entitled to compensation up to a prescribed amount per day. The municipal council and the county council itself lay down regulations on such compensation. Different rates shall be determined for documented and undocumented losses.

### **Section 8-4. Remuneration for work**

Any person who holds a municipal or county authority office is entitled to remuneration for his or her work. The municipal council or county council itself lays down regulations for such remuneration.

### **Section 8-5. Remuneration through buy-out**

The municipal council and the county council may itself determine that popularly elected representatives, who are bought free, shall receive one fixed remuneration sum instead of coverage of lost earnings pursuant to section 8-3, third paragraph and remuneration for work pursuant to section 8-4.

### **Section 8-6. Termination payment**

Popularly elected representatives who have the office as their main occupation may apply for termination payment when they resign from office. The municipal council or county council shall lay down regulations on the length of the termination payment period, but it cannot extend beyond the general period of notice for permanent municipal or county authority employees.

The right to termination payment shall be reduced krone for krone against other income. The same applies to ordinary income the popularly elected representative elects to not to receive.

Pension income pursuant to Chapters 19 and 20 of the National Insurance Act shall not be regarded as income pursuant to the second paragraph.

### **Section 8-7. Pension scheme**

The municipal council and the county council may decide to establish or join a pension scheme for popularly elected representatives in the municipality or county authority.

The King may, through regulations, lay down further provisions concerning such pension schemes.

**Section 8-8. The right to sick pay**

The municipalities and county authorities shall ensure that popularly elected representatives for whom the office is their main occupation have the same right to sick pay as municipal or county authority employees.

**Section 8-9. Rights in the event of occupational injury**

The municipalities and county authorities shall ensure that popularly elected representatives for whom the office is their main occupation have the same right to benefits for occupational injury as municipal or county authority employees.

**Section 8-10. Leave of absence**

The municipal council and the county council shall lay down regulations relating to leave of absence for popularly elected representatives for whom the office is their main occupation. Leave of absence may only be granted in accordance with sections 12-1 to 12-10, 12-12 and 12-15 of the Working Environment Act.

During a leave of absence, the popularly elected representative retains the remuneration for up to two weeks, unless he or she forgoes this. During maternity leave, personal days leave, parental leave and leave in the event of a child or child carer's illness, the municipality and the county authority shall ensure that the popularly elected representative has the right to retain the remuneration according to the same rules that apply to municipal and county authority employees.

## Chapter 9. Municipal and county authority undertakings

**Section 9-1. Establishment of municipal and county authority undertakings**

The municipal council and the county council shall itself decide on the establishment of a municipal or county authority undertaking and shall elect the board and lay down the charter for the undertaking.

Municipal and county authority undertakings are a part of the municipality or county authority.

Municipal and county authority undertakings shall be registered in the National Register of Business Enterprises.

Other chapters of this Act apply correspondingly, insofar as they are appropriate to the undertaking.

**Section 9-2. Delegation of authority to the municipal executive board of county executive board**

In municipalities and county authorities with a parliamentary form of government, the municipal council or county council can itself delegate the authority they have pursuant to the provisions of this Chapter to the municipal executive board or the county executive board. However, the authority to decide on establishing or closing down a municipal or county

authority undertaking may not be delegated. The board may re-delegate the authority they have been delegated to individual members of the board unless the municipal council or county council have determined otherwise.

### **Section 9-3. Charter**

The undertaking shall have a charter that shall at least state

- a. the name of the undertaking
- b. the purpose of the undertaking
- c. the name of the municipality in which the undertaking shall have its registered office
- d. the number of board members
- e. any other matter which, subject to statute, requires provision in the memorandum of association.

Any amendments to the charter are resolved by the municipal council or county council itself.

### **Section 9-4. The management of the municipal or county authority undertaking**

The undertaking is managed by a board and a general manager.

### **Section 9-5. The composition of the board**

The board of a municipal and county authority undertaking shall have no fewer than three members. The municipal council or county council elects a chair, deputy chair and other members of the board. This does not apply to board members to be elected by the employees pursuant to section 9-6.

The general manager of the undertaking cannot be a member of the board.

### **Section 9-6. The employees' right to elect board members**

A majority of the employees in the undertaking may demand that up to 1/5 of the members of the board with alternate members shall be elected by and among the employees. The employee representatives are not entitled to participate in the processing of matters that concern the employer's preparation for negotiations with employees, labour disputes, legal disputes with employee organisations or termination of collective bargaining agreements. If the undertaking has the authority to make individual decisions or lay down regulations, cf. section 2 of the Public Administration Act, the employee representatives on the board shall not participate in the processing of these matters.

The King may lay down regulations on how the number of employees in the undertaking shall be calculated. The King may also lay down regulations on the election, including the conditions for the right to vote, eligibility and election procedure, on settling disputes relating to the election and on termination of office as a board member.

### **Section 9-7. Term of office for the board members**

Members of the board are elected for a term of office of two years, unless otherwise determined in the charter of the undertaking. The term of office cannot be for more than four years.



Where special circumstances are present, a board member is entitled to step down from the board before the end of the term of office. The municipal council or county council itself may at any time conduct a new election to replace board members they themselves have elected.

#### **Section 9-8. The powers of the board**

The board has the authority to make decisions in all matters concerning the undertaking and its activities. The board shall ensure that the activity is conducted in accordance with laws and regulations, the purpose of the undertaking and the memorandum of association, the finance plan and annual budget and other resolutions or guidelines laid down by the municipal council or county council.

The board shall supervise the general manager's management of the activity.

The board of the undertaking resolves a separate annual budget within the framework the municipal council or county council has adopted for the undertaking. The Ministry may lay down further provisions on the budget in regulations.

The board presents the annual accounts and submits the annual report for the undertaking.

#### **Section 9-9. Board meetings**

The chair of the board ensures that the board holds meetings as often as is required. Members of the board and the general manager may require that the board is summoned. The general manager has the right to attend and speak at meetings unless the board decides otherwise for the individual meeting.

The chair of the board convenes meetings of the board. The board members shall be called in with reasonable notice, and the notice of meeting shall contain an agenda.

The board forms a quorum when no fewer than half of the members are present.

The board meeting is presided over by the chair, or in his or her absence, the deputy chair. If neither of the two are present, a person shall be elected to preside over the meeting.

Unless otherwise determined, what the majority of those present at the meeting have voted for counts as the decision of the board. Those who vote for a motion must nevertheless constitute more than 1/3 of the total number of board members for the motion to be considered carried. If the number of votes for and against a motion is a tie vote, the chair has the decisive vote.

Provided all the members are present, the board may pass a resolution on a matter that is not on the agenda, if the board agrees unanimously to discuss the matter. Before the board discusses this item of business, the municipal chief executive shall be notified.

Minutes of meeting shall be kept. The minutes of meeting shall be signed by all the members of the board present. The members of the board or the general manager who disagree with the board's decision may require their opinion recorded in the minutes of meeting.

#### **Section 9-10. Resolutions that must be approved by the municipal council or county council**

The charter may contain a clause stating that to be binding for the municipality or the county authority, the board's decisions in specific cases must be approved by the municipal council or

county council itself. An agreement that has not been approved by the municipal council or county council is not binding for the municipality or county authority if the clause has been registered in the National Register of Business Enterprises, or if the contracting party knew or ought to have known about the clause. If the agreement has been fully or partly fulfilled, the payments shall be reversed. If this is not possible, the economic value of what has been performed shall be reversed.

#### **Section 9-11. General manager**

The general manager is employed by the board. It may be laid down in the memorandum of association that the general manager shall be employed by the municipal council or the municipal executive committee, or the county council or county executive committee. In municipalities and county authorities with a parliamentary form of government, the power of employment may be given to the municipal executive board or the county executive board. The executive board may redelegate this authority to the individual members of the executive board, unless otherwise determined by the municipal council or county council.

#### **Section 9-12. The powers of the general manager**

The general manager is in charge of the day-to-day management of the undertaking. The general manager is directly subordinate to the board and shall comply with the guidelines issued by the board.

The general manager has ongoing personnel responsibility, including appointment, dismissal with notice, suspension and summary dismissal and other official reactions, unless otherwise provided by law.

The day-to-day management does not include matters of an unusual nature or great importance to the undertaking. The general manager may decide on such cases if the board in the individual instance has empowered the general manager to make such a decision, or it is not possible to wait for the board's decision without significant inconvenience to the undertaking or the municipality or county authority. The general manager shall inform the board as soon as possible of his or her decision.

#### **Section 9-13. Internal control in the municipal or county authority undertaking**

Municipal and county authority undertakings shall have internal controls of the undertaking's activities to ensure that laws and regulations are complied with. The general manager of the undertaking is responsible for the internal control.

The internal control shall be systematic and adjusted to the size, distinctive character, activities and risk factors of the business.

In the event of internal control pursuant to this section, the general manager shall

- a. prepare a description of the activity's main tasks, objectives and organisation
- b. have the necessary routines and procedures
- c. identify and follow-up non-conformance and risk of non-conformance
- d. document the internal control in the form and extent necessary
- e. evaluate, and when required, improve written procedures and other internal control measures.

**Section 9-14. Reporting to the board of the undertaking on internal control and government supervision**

The general manager shall report to the board of the undertaking on internal control and the results from government supervision at least once a year.

**Section 9-15. Budget control**

The general manager shall at least twice a year report to the board of the undertaking on the development in income and expenditure, compared with the annual budget of the undertaking. If the development indicates a significant deviation from the annual budget, the general manager shall propose changes to this. The board shall change the annual budget when necessary to meet the requirements of a realistic and balanced budget pursuant to section 14-4.

During the budget year, the board shall present reports to the municipal council or county council showing the development in income and expenditure compared with the municipal council or the county council's adopted framework for the undertaking.

**Section 9-16. Relationship with the municipality or the county authority's administration**

The chief municipal executive of the municipality or county authority does not have the power of instruction or reversal in respect to the general manager of the undertaking.

The chief municipal executive may nevertheless instruct the management of the undertaking to postpone the implementation of an undertaking's decision until the municipal council or the county council has dealt with the matter.

Before the board passes a resolution on a matter that shall be dealt with by the municipal council or the county council, the chief municipal executive shall have been allowed to express an opinion on the matter. The chief municipal executive's statement shall be put before the board when it deals with the matter. The board's decision shall be sent to the municipal council or county authority via the chief municipal executive.

In municipalities or county authorities with a parliamentary form of government, the authority pursuant to the second paragraph lies with the chair of the municipal executive board or the county executive board. If the members of the board are each responsible for managing their own part of the administration, the authority pursuant to the second paragraph is vested in the member who manages the part of the administration under which the undertaking belongs.

### **Section 9-17. Representation**

The board represents the undertaking in respect of outside parties and enters into agreements on behalf of the municipality or the county authority within the purpose of the undertaking.

A board member or the general manager may be granted the right of representation pursuant to the first paragraph, either in the memorandum of association or by the board. The authority of the board pursuant to the first sentence may be limited in the memorandum of association.

The general manager represents the undertaking outwardly in matters that fall within the authority of the general manager pursuant to section 9-12.

### **Section 9-18. Exceeding the right of representation**

If any person who represents the undertaking outwardly has exceeded his or her authority, an agreement or other private-law transaction will not be binding on the municipality or county authority. This only applies if the other party realised or ought to have realised that the authority was exceeded, and it would therefore be contrary to honest behaviour to make the transaction in force.

## **Chapter 10. Parliamentary form of government**

### **Section 10-1. Introduction and termination of a parliamentary form of government**

The municipal council and the county council may itself resolve to introduce a parliamentary form of government in the municipality or county authority. Such a resolution must be passed with the support of no fewer than 2/3 of the votes cast.

For a motion to be carried pursuant to the first paragraph, the previous municipal council or county council must have voted over a motion to introduce the parliamentary form of government before 1 January in the last year of the term of office. The motion is not required to achieve a majority.

A new form of government must be adopted and take effect no later than 1 January of the second whole year of the new term of office.

The municipal council and the county council may itself resolve to discontinue the parliamentary form of government with a general majority of the votes cast. The provisions of the second and third paragraph apply in a similar manner correspondingly when the parliamentary form of government shall be discontinued.

### **Section 10-2. The municipal executive board and the county executive board**

A municipal executive board or the county executive board manages the municipal or county authority administration, respectively. The provisions relating to the chief municipal executive apply in a similar manner to the municipal executive board and the county executive board, unless otherwise provided by law.

The municipal council and the county council resolves itself whether the board shall be established pursuant to the provisions of section 10-4 or 10-5.

Any person elected as a member of the municipal executive board or the county executive board shall relinquish any other municipal or county authority offices during his or her term of office. The municipal council or county council may itself elect supplementary members for other offices than that of a member of the municipal council or the county council for the period for which the person concerned is a member of the municipal executive board or the county executive board.

The municipal council or county council may itself delegate decision-making authority to the board in all matters, unless otherwise provided by law.

The municipal council and the county council may itself resolve that the board may assign individual members the responsibility of managing parts of the administration. Members who have been assigned the responsibility to manage parts of the administration may be delegated authority by the board to make decisions on matters that are not of principal importance, unless otherwise determined by the municipal council or the county council.

The board shall report to the municipal council or the county council at least once every six months on decisions of principal importance.

### **Section 10-3. Duty to attend meetings. The right to attend and speak at meetings**

The members of the board have a duty to attend and the right to speak at meetings of the municipal council and the county council.

The chair of the board has a duty to attend and the right to speak at meetings of other municipal or county bodies. The chair of the board may allow one of the other members of the board to exercise this right on his or her behalf. Individual members who have been delegated the responsibility to manage parts of the administration have a right to attend and speak in bodies that discuss matters that belong under the individual member's area of responsibility.

The right of the chair and members of the board to attend and speak at meetings does not apply to meetings of the control committee. The right to attend and speak at meetings also does not apply when the municipal council or the county council's own bodies discuss matters concerning the organisation of the municipal council, county council or the bodies' own activities.

### **Section 10-4. Election of the municipal executive board and the county executive board**

If the municipal executive board or the county executive board shall be established through an election, the executive board shall be elected by the municipal council or county council itself.

Following each municipal council or county council election, the executive board shall be elected at the constituent meeting.

If the municipal council or county council has resolved that the sitting executive board shall relinquish office, or the board has given notice of relinquishment, the new executive board shall be elected no later than at the next meeting. The same applies if the chair of the executive board relinquishes office. The executive board takes office as soon as it has been elected.

A proposal for the executive board shall contain the name of the chair, deputy chair and other members. The provisions on voting in section 11-9, second paragraph and on the representation of both genders in section 7-7, third paragraph apply correspondingly.

If a member of the executive board relinquishes office at his or her request or the request of the municipal council or the county council, the executive board shall propose a new composition of the executive board at the next municipal council or county council meeting. The member who relinquishes office shall remain in office until a new composition of the executive board has been adopted.

**Section 10-5. Appointment of the chair of the municipal executive board or county executive board**

If the municipal executive board or the county executive board shall be established by appointment, the mayor shall appoint a chair of the municipal executive board or council executive board who shall form the new executive board. The same applies when changes in the parliamentary situation indicate that a new executive board must be formed.

The chair of the municipal executive board or the chair of the county executive board appoints the members of the executive board. The provisions relating to representation from both genders in section 7-7, third paragraph, apply correspondingly when appointing the members of the executive board. The executive board takes office from its constituent meeting.

The chair of the executive board may change the composition of the executive board at any time.

Members of the executive board step down from office at the request of the chair of the executive board, the municipal council or the county council, or at their request. If the chair of the executive board relinquishes office, the entire executive board shall relinquish office.

As soon as the municipal council and the county council has constituted itself or has changed its composition, notification is sent to the municipal council or county council regarding the new composition of the executive board.

**Section 10-6. Political positions**

The municipal executive board or county executive board itself may establish political positions related to the executive board or the members of the executive board.

Any person employed in such political positions shall relinquish his or her other municipal or county offices in the employment period. The municipal council or county council may itself elect supplementary members for other offices than that of the member of the municipal council or the county council for the period for which the persons are employed in such political positions.

The employment ends when the executive board or the member of the executive board to which the position is related, relinquishes office.

**Section 10-7. Relinquishment of office**

A proposal that the municipal executive board, the county executive board or members of the executive board shall relinquish office must be put forward at the municipal county meeting or

the county council meeting, respectively. The proposal shall be discussed at the next meeting, unless 2/3 of the members present at the meeting demand an immediate vote.

If the executive board shall relinquish office at its own request, they must notify of this at the municipal council meeting or the county council meeting.

The executive that relinquishes office remains in office until a new executive board is appointed.

#### **Section 10-8. Boards**

The municipal council or county council itself may authorise the municipal executive board or the county executive board to establish and elect members of boards that on the behalf of the executive board shall manage parts of the municipal or county business.

The executive board itself determines the statutes of such a board and may authorise the board to make decisions in matters that are not of principal importance.

A board may be re-organised and disbanded in the term of office, and the entire board or parts of it may be subject to new elections.

Members of a board may relinquish office at their own request.

#### **Section 10-9. The right to submit proposals**

Members of the municipal council and the county council may put forward to the municipal council or the county council proposals that concern the municipality or the county authority's activities.

In the same electoral term, a proposal may not be put forward with the same content as a previous proposal that has been put forward pursuant to the provision herein, or with the same content as a matter that has previously been discussed by the municipal council, the county council or one of their bodies.

The municipal council and the county council determine how the proposal shall be dealt with.

#### **Section 10-10. Office space and assistance**

Groups of members of the municipal council or county council who are not represented on the municipal executive board or the county executive board shall be ensured appropriate office premises and the necessary assistance to perform their own elucidations and considerations.

## **Chapter 11. Rules of procedure in popularly elected bodies**

#### **Section 11-1. Scope**

The provisions of this chapter apply to municipal and county elected bodies and other municipal bodies, unless otherwise provided by law.

For the board of a municipal or county authority undertaking, only section 11-3, second and third paragraph, section 11-4 to section 11-7, section 11-10 and section 11-11 applies.

### **Section 11-2. Meetings**

Popularly elected bodies shall discuss matters and make decisions at meetings.

Meetings of popularly elected bodies shall be held if one of the following conditions are met:

- a. The popularly elected body itself, the municipal council or the county council so decides,
- b. The chair of the popularly elected body finds it necessary.
- c. At least 1/3 of the members so require.

The chair or deputy chair presides over the meeting of the popularly elected body. If neither of these are present, a person is elected by majority ballot to preside over the meeting.

All members may put questions to the chair, also concerning matters that are not on the agenda.

### **Section 11-3. Notice of meeting and agenda**

The chair of a popularly elected body sets out the agenda for each meeting. Notice of the meeting shall be sent to the members of the elected body with reasonable notice. The notice of meeting shall contain a list of items to be discussed and the relevant documents. An item shall be placed on the agenda if at least 1/3 of the members of the elected body so require.

The meeting shall be announced publicly in an appropriate manner, also if it is assumed that the meeting will be fully or partially closed pursuant to section 11-5.

The meeting agenda and other meeting documents that are not excluded from public access shall be available to the public.

A popularly elected body may by simple majority resolve to postpone substantive discussion of an item of business that has been listed on the distributed agenda.

A popularly elected body may decide on a matter that has not been listed on the agenda unless the person presiding over the meeting or at least 1/3 of the members attending object thereto. Similarly, the body may decide on a matter where the case documents have not been sent together with the notice of meeting, unless the person presiding over the meeting or at least 1/3 of the members attending object thereto.

### **Section 11-4. Minute book**

A minute book shall be kept of meetings of all popularly elected bodies. Except for the parts that are excluded from public access, the minute book shall be available to the public. The minute book shall contain information about

- a. the time and place of the meeting
- b. who attended, and who was absent
- c. which matters were discussed
- d. what decisions were made
- e. the result of the voting.



If it is decided that a meeting shall be closed, the legal authority for the decision shall be recorded in the meeting book. The same applies to decisions where a member of the elected body is disqualified or is exempted for personal reasons.

#### **Section 11-5. Right of access to public meetings**

Everyone has a right to attend meetings of popularly elected bodies, unless otherwise provided by this section.

A popularly elected body shall resolve to hold a meeting in camera when discussing a matter that concerns an employee's personnel affairs. The popularly elected body shall also resolve to hold a meeting in camera when it discusses a matter that contains information subject to statutory confidentiality.

A popularly elected body may resolve to hold a meeting in camera if one of the following conditions are met:

- a. Consideration for the protection of personal privacy requires that the meeting is held in camera.
- b. Consideration for weighted public interests indicates that the meeting is held in camera, and information will be disclosed at the meeting that could have been excluded from public access pursuant to the Freedom of Information Act, if it had been in a document.

The municipal executive board or the county executive board itself determines whether a meeting of the executive board shall be open. If the executive board shall discuss matters stated in the second paragraph, the meeting shall be held in camera.

A popularly elected body or the person presiding over the meeting may resolve that a debate regarding holding a meeting in camera shall be held at a meeting in camera. A ballot on holding a meeting in camera shall be held at an open meeting.

#### **Section 11-6. Audio and video recording**

If anyone so requests, and it does not interfere with the implementation of the meeting, the person presiding over the meeting may permit a recording to be made of or transmit audio or video from open meetings.

#### **Section 11-7. Remote meetings**

The municipal council or county council itself may decide that the popularly elected bodies in the municipality or the county authority shall be allowed to hold meetings as remote meetings.

Remote meetings are when the participants are not sitting in the same room, but can still see, hear and communicate with each other with the help of technical equipment. The provisions that otherwise apply to meetings, also apply to remote meetings.

A meeting to be held in camera pursuant to section 11-5, second paragraph, cannot be held as a remote meeting.

The Ministry may lay down regulations relating to requirements for conducting remote meetings, exemption from the requirement in the second paragraph that the meeting participants shall see each other and exemption from the third paragraph.

#### **Section 11-8. Matters of urgency**

The municipal council and the county council itself may authorise the municipal executive committee or the county executive committee, the municipal executive board or the county executive board, a committee pursuant to section 5-7 or the mayor to decide on matters that should be decided by another elected body, when it is necessary to make a decision so quickly that there is no time to summon the appropriate elected body. Notice of any decision made pursuant to the first sentence shall be presented at the next meeting of the elected body that should have decided on the matter.

The chair of a popularly elected body may decide to deal with a matter in writing or at an urgent remote meeting if it is required to settle a matter before the next meeting, and there is either not time to hold an extraordinary meeting, or the matter is not so important that an extraordinary meeting is considered necessary.

In the case of an urgent remote meeting pursuant to the second paragraph, the members may be summoned to the meeting with a shorter deadline than under the ordinary rules. If at least 1/3 of the members of the popularly elected body so require, the matter shall be postponed until an ordinary meeting can be held.

When a matter is dealt with in writing pursuant to the second paragraph, the case documents with the proposed decision are sent at the same time to all the members of the elected body. The decision is deemed to be made if all the members agree to the presented proposal and that the decision is made as a result of written case-processing.

#### **Section 11-9. Quorum and voting**

A popularly elected body may only make decisions if no fewer than half the members have been present during the proceedings and cast their vote on the item concerned.

Resolutions are passed with a simple majority of the votes cast unless otherwise provided by this Act or section 9-3, second paragraph of the Election Act. In other matters than those concerning elections, the person presiding over the meeting has the decisive vote if there is a voting tie.

When the finance plan or annual budget is being considered by the municipal council or the county council, at the final ballot, the proposal for the finance plan or annual budget is voted upon as a whole. If alternative proposals have been put forward, and none of these receives a majority at the first ballot, the two proposals that received most votes at the first ballot shall then be voted upon as alternatives.

#### **Section 11-10. Disqualification of popularly elected representatives**

The provisions on disqualification in Chapter II of the Public Administration Act apply to the processing of matters in popularly elected bodies, with the special rules provided by this section.

A popularly elected representative who has been involved in the preparation of or deciding on a matter as an employee of the municipality or the county authority is disqualified from subsequently dealing with the same matter in a popularly elected body in the municipal or the county authority, respectively. The first sentence does not apply when the annual budget, finance plan, municipal plan, regional plan strategy and regional plan are dealt with by a popularly elected body.

When an appeal is to be dealt with pursuant to section 28, second paragraph of the Public Administration Act, a popularly elected representative who has been involved in the preparation of making the decision is disqualified from participating in the appellate instance's processing of the decision or the preparation of the case for the appellate instance.

A popularly elected representative is not disqualified when electing persons for public office, or when determining remuneration etc., for such offices.

#### **Section 11-11. Exemption on personal grounds**

A popularly elected representative may apply to be exempt from participating in the processing of a matter if personal grounds so indicate. The popularly elected body itself decides whether he or she shall be exempted.

#### **Section 11-12. Rules of procedure**

The municipal council and the county council itself lays down detailed rules of procedure in popularly elected bodies.

#### **Section 11-13. Extended access to information for popularly elected bodies**

The municipal council and the county council are entitled to access to all municipal and county authority case documents, with the limitations provided by this section. Other popularly elected bodies have, with the same limitation, the right of access to all case documents concerning the parts of the municipality and the county authority's activity that lie within the scope of the elected body.

A popularly elected body may only have access to case documents that provide knowledge of confidential information when this is necessary for processing a specific case, and section 13 b), first paragraph of the Public Administration Act authorises an exemption from the duty of confidentiality.

If a popularly elected body wants to require access to case documents pursuant to the first paragraph, a resolution requiring access must be passed with no fewer than three votes or with the majority of the votes cast by the elected body. If a popularly elected body wishes to require access to case documents pursuant to the second paragraph, a resolution requiring access must be passed by the majority of the votes cast by the elected body.

In municipalities and county authorities with a parliamentary form of government, the right of access under this section does not apply to memos from each executive board member to the executive board or memos between the members of the executive board. The right of access also does not apply to agendas and minute books from preparatory meetings of the municipal executive board and the county executive board, where the executive board shall not make

decisions or submit recommendations. The executive board may exempt from access to case documents prepared by the administration as the secretariat for the executive board if the case documents have been prepared for the executive board or each member of the executive board's preparatory assessments.

The right of access under this section applies from the time the matter to which the case documents belong has been submitted for processing by the popularly elected body. For cases decided by the administration, the municipal executive board or the county executive board, the right to access applies from the time the cases have been finally processed.

# **Part III**

## **Inhabitant initiative**

## Chapter 12. Inhabitant initiative

### **Section 12-1. Inhabitant initiative**

The inhabitants of the municipality or county authority may put forward proposals that concern the municipality or county authority's business. The municipal council or county authority itself shall consider the proposal if no fewer than two per cent of the inhabitants are behind it. However, 300 signatures in the municipality or 500 in the county are always sufficient. The municipal council or county council itself shall consider whether the proposal in question concerns the municipality or the county authority's business.

The municipal council or the county council itself shall consider the proposal no later than six months after it has been put forward. This time limit does not apply if the proposal is referred to further processing in connection with an ongoing planning matter pursuant to the Planning and Building Act. The inhabitants who are behind the initiative shall be informed of the decisions made and the measures to be implemented as a result of the proposal.

A proposal with the same content as a previous inhabitant initiative may not be put forward again in the course of the same electoral term. Nor may an inhabitant initiative with the same content as a matter that has been dealt with by the municipal council or the county council be put forward again during the same electoral term. The municipal council or the county council itself shall consider whether a proposal may be put forward.

Where a proposal has been put forward pursuant to the provisions of this section, and which are voted down by the municipal council or the county council, there is no right of appeal unless this follows from the Public Administration Act or other legislation.

### **Section 12-2. Referendums**

The municipal council or the county council itself may decide to hold advisory referendums on proposals that concern the business of the municipality or the county authority, respectively.

# **Part IV**

## **The administration**

## Chapter 13. The administration

### **Section 13-1. Chief municipal executive. Powers and duties**

The municipal council and the county council itself shall hire a chief municipal executive who will be head of the municipality and the county authority's administration, respectively.

The chief municipal executive is the highest administrative officer for the overall management of the municipal or county authority, with the exceptions that follow from law and within the directions, guidelines and orders laid down by the municipal council or county council.

The chief municipal executive shall ensure that those items of business placed before popularly elected bodies have been properly considered. The consideration shall provide a factual and legal basis for making decisions.

The chief municipal executive shall ensure that decisions made by popularly elected bodies are implemented without undue delay. If the chief municipal executive becomes aware of actual or legal circumstances that are of key importance to the implementation of the decision, he or she shall bring this to the attention of the popularly elected body in a suitable manner.

The chief municipal executive has the right to be present and speak at meetings of all municipal or county elected bodies except for the control committee. The chief municipal executive may allow one of his or her subordinates to exercise this right on his or her behalf.

A popularly elected body may authorise the chief municipal executive to make decisions on matters that are not of principal importance unless the municipal council or county council itself has decided otherwise.

The chief municipal executive has the ongoing personnel responsibility for the individual employee, including appointment, dismissal with notice, suspension and summary dismissal and other official reactions, unless otherwise provided by law.

### **Section 13-2. Fixed-term positions**

The municipal council and the county council itself may determine that key administrative positions shall be fixed-term positions. The same applies to ombudsmen. The term of office shall be at least six years.

### **Section 13-3. Employee disqualification**

The provisions relating to disqualification in Chapter II of the Public Administration Act apply to the processing of matters in the municipality and the county authority's administration, with the special rules provided by this section.

When an appeal is to be dealt with pursuant to section 28, second paragraph of the Public Administration Act, an employee who has been involved in the preparation of or making the decision is disqualified from participating in the appellate instance's processing of the case or the preparation of the case for the appellate instance.



If a superior employee is disqualified in a case, any directly subordinate employee may also not participate in the appellate instance's handling of the case or the preparation of the case for the appellate instance.

**Section 13-4. The right of employee representatives to attend meetings of popularly elected bodies**

Representatives of the employees of the municipality or the county authority have the right to be present and speak at meetings of popularly elected bodies when the latter are discussing business concerning the relationship between the employees and the municipality and the county authority as the employer. If the employees are represented on the board of a municipal or county authority undertaking pursuant to Chapter 9, the provisions of this paragraph do not apply.

Representatives of the employees do not have the right to participate in the discussion of matters concerning the employer's preparation for negotiations with employees, labour disputes, legal disputes with the employee organisations or termination of collective bargaining agreements.

Representatives of the employees do not have the right to attend meetings of the control committee or of bodies that discuss appeal cases pursuant to section 28, second paragraph of the Public Administration Act. Representatives of the employees from the auditors have the right to be present and speak at meetings of the control committee when discussing any business that concerns the relationship between the municipality or county authority as the employer and the employees of the auditors.

The municipal council and the county council itself lays down further guidelines for the employees' right to be present at meetings.

**Section 13-5. Employee pension scheme**

The municipal council and the county council may establish or join a pension scheme for municipal or county authority employees. The King may, through regulations, lay down further provisions concerning such pension schemes.

# Part V

## Finances

# Chapter 14. Financial management

## **Section 14-1. Fundamental financial management requirements**

Municipalities and county authorities shall manage the financial affairs so that the financial latitude is taken care of over time.

Municipalities and county authorities shall draw up coordinated and realistic plans for their own business and financial affairs and the development of the local community or the region.

Municipalities and county authorities shall manage financial assets and debts in a manner that does not entail significant financial risk so that payment obligations can be fulfilled at maturity, among other things.

## **Section 14-2. The duties of the municipal council and the county authority**

The municipal council and the county authority itself shall adopt

- a. the finance plan and annual budget
- b. the annual accounts and the annual reports
- c. financial target indicators for the development of the municipality or the county authority's economy
- d. financial management rules
- e. financial and debt management rules.

## **Section 14-3. Processing of the finance plan, annual budget, annual accounts and annual report**

The finance plan for the next four years and the annual budget for the coming year shall be adopted before the end of the year.

The annual accounts and the annual reports shall be adopted no later than six months after the end of the fiscal year. Each annual account shall be processed at the same time as the associated annual report. The resolution on the annual accounts shall state how any overspending in the operating account shall be covered.

The municipal executive committee or the county executive committee recommends the adoption of the finance plan, the annual budget, the annual accounts and the annual report. The control committee shall submit a statement to the municipal council or the county council regarding the annual accounts and annual reports before the municipal executive committee or the county executive committee provides their recommendation. In municipalities and county authorities with a parliamentary form of government, the municipal executive board or the county executive board recommends the adoption.

The finance plan and annual budget recommendation, including all such proposals for resolutions that have been put forward, shall be made available for public inspection at least 14 days before being considered by the municipal council or the county council. This does not apply to recommendations regarding changes to an adopted finance plan or an annual budget.

The finance plan, annual budget, annual accounts, annual report and the case documents from the recommending body shall be submitted to the Ministry for information. This also applies to

the auditor's report and the control committee's statement on the annual accounts and annual reports. The Ministry may lay down regulations on deadlines for submission of these documents.

#### **Section 14-4. Finance plan and annual budget**

The finance plan shall show how the long-term challenges, targets and strategies in the municipal and regional plans shall be followed-up.

The finance plan and annual budget shall show the municipal council or the county council priorities and appropriations and the goals and terms on which the finance plan and annual budget are based. They shall also show the development in the municipality or the county authority's finances and the development in debt and other significant long-term obligations. The resolution on the annual budget shall indicate how much loans shall be raised in the budget year.

The finance plan and the annual budget shall be set up in balance and be realistic, complete and organised.

The finance plan shall be divided into an operating and an investment part. The annual budget shall be divided into an operating and an investment budget and shall be set up in the same way as the finance plan.

The finance plan may be part of or constitute the municipal plan's action part pursuant to section 11-1, fourth paragraph of the Planning and Building Act.

The Ministry may lay down regulations on appropriation overviews, financial overviews and overviews of debt development.

#### **Section 14-5. The binding effect of the annual budget. Budget management**

The annual budget is binding on the municipal council, the county council and subordinate bodies. The first sentence does not prevent the municipal council or county council from authorising a subordinate body to determine that parts of an appropriation in the operating budget shall be used to finance expenditures in the investment accounts. The first sentence does not apply to payments that the municipality or the county authority has a legal obligation to make.

The municipal council or county council shall amend the annual budget when necessary to meet the statutory requirements relating to realism and balance.

The chief municipal executive shall at least twice a year report to the municipal council or the county council on the development in revenues and expenditure compared with the annual budget. If the development indicates significant deviations, the chief municipal executive shall propose amendments to the annual budget.

If the annual accounts are presented with an overspending in the operating accounts, the chief municipal executive shall propose amendments to the current annual budget. The matter shall be dealt with by the municipal council or the county authority no later than 30 June.

#### **Section 14-6. Annual accounts and bookkeeping**

Municipalities and county authorities shall prepare the following annual accounts:

- a. accounts for the municipal treasury or the county authority treasury
- b. accounts for each municipal or county authority undertaking
- c. accounts for other businesses which are part of the municipality or county authority as a legal entity, and which shall have its own accounts pursuant to law or regulations
- d. consolidated accounts for the municipality or the county authority as a legal entity.

The annual accounts shall consist of an operating and an investment account. The operating and the investment accounts shall be divided into and set up in the same way as the annual budget. The annual accounts shall also consist of a balance sheet and notes.

The annual accounts shall be prepared in accordance with the following fundamental accounting principles.

- a. All access to and use of funds in the year shall be evident from the operating or the investment accounts.
- b. All access to and use of funds shall be recorded gross in the accounts.
- c. All known expenditures and income in the year shall be included in the annual accounts for the year in question, whether these have been paid or not when the annual accounts are concluded.
- d. If the size of an amount is uncertain, the best estimate shall be used.

The annual accounts shall be kept in accordance with good municipal accounting practice.

Accounting information shall be entered, specified, documented and kept in accordance with sections 3 to 14 of the Bookkeeping Act.

The annual accounts shall be presented no later than 22 February.

The Ministry may lay down regulations on the annual accounts, accounting, closing the accounts and bookkeeping, and exemptions from this section.

#### **Section 14-7. Annual report**

Municipalities and county authorities shall prepare an annual report on the municipality or the county authority's overall business. A separate annual report shall also be prepared for each municipal or county authority undertaking.

The annual reports shall account for

- a. circumstances that are important for assessing the financial development and position, and whether the financial development and position take care of the financial latitude over time.
- b. material deviations in amounts between the annual budget and the annual accounts, and material deviations from the municipal council or the county council's terms for use of the appropriations.
- c. the business' achievement of targets and other non-financial circumstances that are of significant importance to the municipality or the county authority or the inhabitants.

- d. measures that have been taken and that are planned to be taken to ensure a high ethical standard
- e. the actual status as regards gender equality
- f. which measures the municipality or county authority are taking to fulfil the employers' activity requirements pursuant to section 26 of the Equality and Anti-Discrimination Act.

The annual reports shall be presented no later than 31 March.

**Section 14-8. Budget, accounts and annual report for the intermunicipal political council and the municipal task community**

The intermunicipal political council pursuant to Chapter 18 and the municipal task community pursuant to Chapter 19 shall draw up a separate annual budget within the framework that has been adopted by the municipal council and the county council in the participating municipalities or county authorities. Separate annual accounts and annual reports shall also be prepared. A decision on the annual budget, annual accounts and annual report shall be made by the board of representatives in the council or the task community.

The accounts of the intermunicipal political council and municipal task communities that are not the separate legal entities shall be incorporated into the registered office location municipality's consolidated annual accounts under section 14-6 first paragraph letter d.

The Ministry may lay down regulations on the annual budget, annual accounts and annual report of the intermunicipal political council and municipal task community, and on the exceptions from the provisions on the annual budget, annual accounts and the annual report.

**Section 14-9. The distinction between operating and investment in the finance plan, annual budget and annual accounts**

Operating expenditures shall be recorded in the operating part of the finance plan, the operating budget and the operating accounts. Grants to other entities' investments as stated in section 14-16, first and second paragraph of this Act, section 14, second paragraph of the Religious Communities Act and section 3, second paragraph, of the Funerals Act, are operating expenditures that may still be recorded in the investment part of the finance plan, the investment budget and the investment accounts.

The operating part of the finance plan, the operating budget and the operating accounts shall only be funded by current revenues. Ongoing revenues not used in the budget year shall be allocated to the operating reserve.

The Ministry may lay down regulations on what expenditures and revenues belong to the operating and the investment part respectively.

A share of the revenues from the sale of shares classified as fixed financial assets shall be considered current revenues. This only applies if municipalities or county authorities have a controlling influence in the company. The Ministry may lay down regulations on how the share shall be calculated.

**Section 14-10. Balance in the finance plan and annual budget**

All use of funds in the annual budgets shall have coverage in the access to funds for the year.

The operating budget shall cover instalments on loans with an amount that at least equals instalments calculated pursuant to section 14-18.

The annual budget shall cover previous years' overspending in the operating accounts and uncovered amounts in the investment accounts pursuant to the provisions of sections 14-11 and 14-12.

Funds which by law or agreement have been reserved for specific purposes, and which are not used in the budget years, shall be allocated to a distributable reserve.

The annual budget shall cover the allocations necessary for good municipal financial management. Over time, the investment shall have a self-financing ratio that ensures the municipality or the county authority's financial capacity.

The first to fifth paragraphs apply correspondingly for each year in the finance plan.

**Section 14-11. Coverage of overspending in the municipal treasury and the county authority treasury**

Overspending in the operating accounts of the municipal treasury or the county authority treasury shall be covered the following year after it arose. If the overspending cannot be covered the following year after it arose, it shall be covered no later than the second year after it occurred.

In special cases, the municipal council or the county council can decide that overspending in the internal accounts of the municipal treasury or the county authority treasury shall be covered no later than four years after it occurred. If the social and financial consequences of covering overspending pursuant to the first sentence will be disproportionately great, the Ministry may approve a resolution that the overspending is covered over a period of more than four years after it occurred.

An uncovered amount in the investment accounts shall be entered as coverage in the investment budget the year after it arose.

**Section 14-12. Coverage of overspending in municipal and county authority undertakings, Intermunicipal Political Council and Municipal Task Community**

Municipal and county authority undertakings pursuant to Chapter 9, intermunicipal political council pursuant to Chapter 18 and municipal task community pursuant to Chapter 19 shall cover overspending in the operating accounts the year after it arose. An uncovered amount in the investment accounts shall be entered as coverage in the investment budget the year after it arose.

If overspending in the internal accounts of a municipal or county authority undertaking has not been fully covered in the accounts the year after it arose, the remaining amount shall be transferred from the municipal treasury or the county authority treasury to the undertaking in the budget for the second year after the overspending arose. If the overspending in the undertaking is still not covered after this, the municipal treasury or the county authority treasury shall transfer the remaining amount in the budget for the third year after the overspending arose. This also applies for the following years until the undertaking's overspending has been covered.

The second paragraph applies in a similar way to participating municipalities and county authorities if overspending in the operating accounts of an intermunicipal political council or a municipal task community is not fully covered in the accounts the year after the overspending occurred.

If the responsibility of each participating municipality or county authority to contribute funds to cover overspending by an intermunicipal political council or municipal task community deviates from the individual municipality or the county authority's liability, this must be determined in the cooperation agreement.

#### **Section 14-13. Financial and debt management**

The finance rules shall contain provisions preventing the municipality or the county authority from taking a significant financial risk in the financial and debt management, and which ensures that the current payment obligations may be met at maturity. The finance rules shall also contain provisions on the return targets for the financial management.

If deviations from the finance rules are discovered, necessary actions shall be taken. If it is necessary to avoid significant financial risk, among other things, to ensure that the current payment obligations can be met, the municipal council or county council itself shall amend the finance rules.

The chief municipal executive shall report at least twice a year to the municipal council or the county council regarding the management of financial assets and debt. In addition, after the end of the year, the chief municipal executive shall present a report showing the developments throughout the year and the status at year-end.

Before municipalities and county authorities enter into agreements, they shall document to the contracting party that the agreement does not involve significant financial risk in breach of section 14-1, third paragraph.

An agreement that involves a significant financial risk is not valid if the municipality or the county authority's contracting party understood or ought to have understood this.

The Ministry may lay down regulations on the contents of the finance rules and the contents of the reporting, and requirements for quality assurance of the finance rules and the routines for financial and debt management.

#### **Section 14-14. Conditions for raising loans**

Municipalities and county authorities may raise loans for the purposes as stated in sections 14-15 to 14-17, and for other purposes, as authorized by other Acts. Existing loans may be refinanced.

Municipalities and county authorities may only raise loans within the framework the municipal council and the county council itself has resolved. Loans may only be raised pursuant to section 14-15, first and second paragraph, section 14-16 and section 14-17, first paragraph and for purposes authorized by other Acts if the initiative is pursuant to an appropriation in the investment budget.



Municipalities and county authorities may establish a lending fund. A lending fund shall have a separate budget and accounts. The provisions of this section and sections 14-15 to 14-17 also apply to raising loans from the lending fund.

Before municipalities or county authorities enter into loan agreements, they shall document to the contracting party that

- a. the loan is raised for a lawful purpose
- b. the loan is within the framework the municipal council or county council has adopted
- c. the initiative the loan shall finance is in accordance with an appropriation in the investment budget, if the loan is raised pursuant to section 14-15, first or second paragraph, section 14-16 or section 14-17, first paragraph or for purposes authorised by other Acts.

A loan agreement is not valid if the municipality or the county authority's lender understood or ought to have understood that the borrowing violates the first and second paragraph.

#### **Section 14-15. Loans to own investments. Operating credit**

Municipalities and county authorities can take up loans to finance investments in tangible assets that are to be owned by the municipality or county authority itself. Loans may not be raised for the part of the purchase cost that is compensated pursuant to the VAT Compensation Act.

Municipalities and county authorities may raise loans to finance the purchase of all the shares in a property company to be owned by the municipality or county authority itself, if the property company does not have

- a. other business than owning real estate and operating this
- b. material obligations other than related to the property
- c. employees other than the general manager.

Municipalities and county authorities may enter into an agreement on operating credit or raising liquidity loans.

#### **Section 14-16. Loans to the investments of others. Loans for the redemption of security**

Municipalities may raise loans to fund grants to investments in tangible assets owned by another municipality, but only in areas where the municipalities have a statutory responsibility. County authorities may raise loans to fund grants to investments in tangible assets owned by another county authority, but only in areas where the county authorities have a statutory responsibility.

Municipalities and county authorities may raise loans to fund grants to investments in tangible assets owned by a company where the municipality or county authority has an ownership interest in the company or where municipalities or county authorities have controlling influence, but only for investments in areas where the municipalities or the county authorities have a statutory responsibility. The municipality or the county authority borrowing pursuant to the first sentence cannot be greater than the owners' total investment grant adjusted for the municipality or the county authority's ownership interest in the company.

Municipalities and county authorities may raise loans to fulfil a guarantee liability in the form of security for the financial obligations of others.

**Section 14-17. Loans for the purpose of lending and instalments received from repayment of loans**

Municipalities and county authorities may raise loans for the purpose of lending if

- a. the borrower shall use the funds for investments
- b. the lender does not engage in business activity
- c. the loan is not a significant financial risk to the municipality or the county authority.

The first sentence, letter c does not apply to loans for social housing purposes.

In the annual budget, instalments received on sums lent may only fund instalments on loans or new lending.

**Section 14-18. Loan instalments**

Loans for purposes as stated in section 14-15, first and second paragraph, and section 14-16, shall be repaid in annual instalments. In total, the instalments shall at least be equal to the size of the municipality or the county authority's depreciation in the fiscal year, adjusted for the ratio between the size of the loan debt and the size of the municipality or the county authority's depreciable fixed assets. The adjustment pursuant to the second sentence shall be made based on the book value of the loan debt and the fixed assets at the beginning of the fiscal year.

The first paragraph also applies to loans raised in accordance with authorisation in other Acts. Loans raised pursuant to section 14, fourth paragraph of the Religious Communities Act for investments in church buildings, may nevertheless be paid in instalments over the accounting lifetime of the investment if the lifetime is significantly longer than the lifetime of the municipality's own fixed assets.

If any instalments received on sums lent are used to pay instalments on loans for purposes as stated in section 14-15, first and second paragraph and section 14-16, this shall not reduce the minimum instalment pursuant to the first paragraph.

**Section 14-19. Guarantees**

Municipalities and county authorities cannot provide security or other financial guarantees for any business conducted by others than the municipality or the county authority itself if the guarantee involves a significant financial risk or is provided for business activity. Any resolution to provide security or any other financial guarantee for an activity conducted by others than the municipality or county authority itself shall only be valid if the resolution to provide the guarantee has been approved by the Ministry. When considering approval, the Ministry shall assess whether the guarantee violates the first paragraph or regulations laid down pursuant to this section. The Ministry cannot approve guarantees in violation of the first paragraph or regulations laid down pursuant to this section. If the guarantee has been approved by the Ministry, it is not considered invalid, even if it violates the first paragraph or regulations laid down pursuant to this section.

Guarantees for small amounts are exempt from the approval requirement. Guarantees for small amounts are not valid if the recipient of the guarantee understood or ought to have understood that the guarantee violates the first paragraph.

The Ministry may lay down regulations on the duration of the guarantee, requirements for the contents of guarantee resolutions and the limit for a guarantee for small amounts.

**Section 14-20. Security for the financial obligations of others**

Municipalities and county authorities may not pledge their assets as security for the financial obligations of others. A pledge that violates the first sentence is not valid.

**Section 14-21. Assignment of tax claims**

Municipalities and county authorities cannot assign their tax claims to others. An agreement that violates the first sentence is not valid.

**Section 14-22. Set-off**

Any person who owes any taxes, charges or fees to a municipality or county authority may not, without approval from the municipality or county authority, settle this using set-off.

A bank may only set-off its claim on a municipality or county authority against the latter's deposit in the bank, if the municipality or county authority gives its consent. However, this is no obstacle to entering into agreements on consolidated accounts with a joint disposition of capital. A set-off in violation of the first and second paragraph is not valid.

## Chapter 15. Full cost

**Section 15-1. Calculation of full cost**

If it is laid down in statutes or regulations that municipal or county authority fees shall not be greater than the costs of providing the service, the full cost shall be calculated in accordance with the second to fourth paragraph.

The total full cost of a service shall be equivalent to the additional cost of providing the service.

The total full cost shall be determined based on the following principles:

- a. The costs shall be calculated based on transactions made and the purchase cost.
- b. The investment costs shall be calculated based on the depreciation on the investments and the calculated interest costs.
- c. The investment costs shall be distributed over the time the investments are expected to be in use.

The Ministry may lay down regulations with further provisions on the calculation of full cost and make exemptions from the third paragraph.

## Chapter 16. The municipalities and the county authorities' reporting to the state

### **Section 16-1. Reporting to the state (KOSTRA)**

Municipalities and county authorities shall report information on finances, use of resources and services for use in national information systems (KOSTRA) to the state. Municipalities and county authorities shall also report information on local referendums.

The Ministry may lay down regulations on what information is to be reported and how and when it is to be reported.

### **Section 16-2. Municipal Reporting Register (KOR)**

The Municipal Reporting Register (KOR) shall provide an overview of the reporting obligations that the state has imposed on the municipalities and county authorities through laws or resolutions.

The register shall contain information on the reporting obligations stated in the first paragraph. The register shall be kept up-to-date and the contents of the register shall be publicly available. The Ministry may lay down regulations on what information the register shall contain.

The Ministry shall notify the register of new reporting obligations and changes in current reporting obligations. The Ministry may lay down regulations on how the notification shall be given, what information shall be given in the notification and how the register shall process the information.

The reporting obligations cannot be applied until they have been published in the register. The Ministry may lay down regulations on an exemption from the first sentence.

The Ministry appoints who shall manage the register on behalf of the Ministry.

# **Part VI**

## **Intermunicipal cooperation**

## Chapter 17. Intermunicipal cooperation

### **Section 17-1. Intermunicipal cooperation**

Municipalities and county authorities may perform joint tasks through intermunicipal cooperation.

Intermunicipal cooperation shall take place through an intermunicipal political council, municipal task community, host municipality cooperation, intermunicipal company, limited liability company or cooperative, an association or in any other way that is legally permitted.

Whether the cooperation comes under the provisions on public procurement is considered based on the rules on public procurement.

## Chapter 18. Intermunicipal political council

### **Section 18-1. Intermunicipal political council**

Two or more municipalities or county authorities may together establish an intermunicipal political council. The council may deal with matters that cross municipal or county boundaries. The municipal councils and county councils themselves resolve to establish such a council.

An intermunicipal political council cannot be authorised to make individual decisions. However, the council may be authorised to make such decisions on internal affairs within the cooperation and to manage grant schemes.

The name of the council shall contain the words intermunicipal political council.

The other chapters in this Act apply accordingly insofar as they are suitable for the intermunicipal political council.

### **Section 18-2. Liability**

Each participant in an intermunicipal political council has unlimited financial liability for its share of the council's obligations. In total, the shares constitute the total obligations of the council.

The council's creditors must first make their claim against the council. If the creditor's claim is not honoured within 14 days, calculated from the date notice requiring payment has been given, the creditor may claim from the individual participant its share of the obligation. A participant that has fully or partly covered its share of a claim against the council may immediately claim reimbursement of its outlay from the council.

A participant that withdraws from the council continues to have financial liability for its share of the obligations the council has at the time the participant withdraws. The same applies if the council is dissolved.

**Section 18-3. Board of representatives**

The board of representatives is the supreme body of an intermunicipal political council. All participants in the council shall be represented by at least one member on the board of representatives. Each municipal council or county council shall itself elect its members and at least as many alternate members. Members of the municipal executive board and county executive board may also be elected. Unless otherwise determined in the cooperation agreement, the board of representatives itself elects its chair and deputy chair. It may be stipulated in the cooperation agreement that the offices of chair and deputy chair shall rotate among the participants.

In municipalities and county authorities with a parliamentary form of government, the municipal council or county council itself may determine that the municipal executive board or the county executive board shall elect the municipality or the county authority members. The municipal executive board or the county executive board may delegate this authority to individual members of the board, unless otherwise determined by the municipal council or county council.

The members and alternate members of the board of representatives are elected for four years, unless otherwise stipulated in the cooperation agreement. Each participant may itself, at any time, through a new election, replace the members and alternatives the participant itself has elected. New members and alternate members are elected for the remainder of the term of office.

The supervisory body may itself establish other bodies to govern the council. The supervisory body itself elects a chair, deputy chair and other members and alternate members to such bodies.

**Section 18-4. The cooperation agreement**

When an intermunicipal political council is established, a written cooperation agreement shall be entered into between all the participants on the council.

Each municipal council and county council in all the participating municipalities and county authorities themselves shall adopt the cooperation agreement and the agreement amendments that concern some of the aspects stated in the fourth paragraph.

The board of representatives itself adopts amendments to the parts of the cooperation agreement that concern other matters than those stated in the fourth paragraph. Such amendments are adopted by no fewer than 2/3 of the votes cast, unless otherwise stated in the cooperation agreement. It may also be stated in the cooperation agreement that such amendments shall be adopted by the municipal council or the county council itself in all the participating municipalities or county authorities.

The cooperation agreement shall determine

- a. the name of the council
- b. whether the council is a separate legal entity
- c. how many members each participant shall have on the board of representatives
- d. what matters the supervisory shall be able to deal with
- e. what authority is granted to the council
- f. each participant's ownership interest in the council and the share of liability for the council's obligations if this differs from the ownership interest
- g. how the participants may withdraw from the council
- h. how the council shall be dissolved, including who shall be responsible for keeping the council's files after the council has been dissolved.

## Chapter 19. Municipal task community

### Section 19-1. Municipal task community

Two or more municipalities or county authorities together may establish a municipal task community to solve common tasks. The municipal councils and county councils themselves resolve to establish a task community.

A task community cannot be authorised to make individual decisions. However, the task community may be authorised to make this type of decision on internal affairs in the community and to manage grant schemes.

The name of the task community shall contain the words municipal task community.

The other chapters in this Act apply accordingly insofar as they are suitable for the task community.

### Section 19-2 Liability

Each participant in a municipal task community has unlimited financial liability for its share of the task community's obligations. In total, the shares constitute the total obligations of the task community.

The task community's creditors must first make their claim effective against the task community. If the creditor's claim is not honoured within 14 days, calculated from the date notice requiring payment has been given, the creditor may claim from the individual participant its share of the obligation. A participant that has fully or partly covered its shares of a claim against the task community may immediately claim reimbursement of its outlay from the task community.

A participant that withdraws from the task community continues to have financial liability for its share of the obligations the task community has at the time the participant withdraws. The same applies if the task community is dissolved.



**Section 19-3. Board of representatives**

The board of representatives is the supreme body of a municipal task community. All the participants shall be represented by at least one member on the board of representatives. Each municipal council or county council shall itself elect its members and at least as many alternate members. Unless otherwise stated in the cooperation agreement, the board of representatives itself elects its chair and deputy chair. It may be stipulated in the cooperation agreement that the offices of chair and deputy chair shall rotate among the participants.

In municipalities and county authorities with a parliamentary form of government, the municipal council or county council itself may determine that the municipal executive board or county executive board shall elect the municipality or the county authority's members. The council may delegate this authority to individual members of the council, unless otherwise determined by the municipal council or county council.

The general manager of the task community cannot be a member of the board of representatives.

The members and alternate members of the board of representatives are elected for four years, unless otherwise stipulated in the cooperation agreement. Each participant may itself, at any time, through a new election, replace the members and alternatives the participant itself has elected. New members and alternate members are elected for the remainder of the term of office.

The board of representatives itself may establish other bodies to govern the task community. The supervisory body itself elects a chair, deputy chair and other members and alternate members to such bodies.

**Section 19-4. The cooperation agreement**

When a task community is established, a written cooperation agreement shall be entered into between all the members of the task community.

Each municipal council and county council in all the participating municipalities and county authorities themselves shall adopt the cooperation agreement and the agreement amendments that concern some of the aspects stated in the fourth paragraph.

The board of representatives of the task community itself adopts amendments to the parts of the cooperation agreement that concerns other matters than those stated in the fourth paragraph. Such amendments are adopted by no fewer than 2/3 of the votes cast, unless otherwise stated in the cooperation agreement. It may be stated in the cooperation agreement that such amendments shall be adopted by the municipal council or county council itself in all the participating municipalities.

The cooperation agreement shall state

- a. the name of the task community
- b. whether the task community is a separate legal entity
- c. how many members each participant shall have on the board of representatives
- d. what tasks are assigned and what authority is granted to the task community
- e. the participants' contribution obligation and the obligation to provide other contributions to the task community
- f. each participant's ownership interest in the task community and the share of liability for the community's obligations if this differs from the ownership interest.
- g. whether the task community shall be authorised to raise loans
- h. what the task community shall report to the participants about
- i. how the participants may withdraw from the task community
- j. how the task community shall be dissolved, including who shall be responsible for keeping the task community's files after the task community has been dissolved.

## Chapter 20. Host municipalities

### **Section 20-1. Host municipality cooperation**

A municipality may assign the execution of a statutory task, and delegate authority to make individual decisions or adopt regulations to a host municipality pursuant to the provisions of this chapter, insofar as other legislation does not prevent this.

The provision in the first paragraph applies correspondingly to county authorities.

### **Section 20-2. Administrative host municipality cooperation**

A municipality (cooperating municipality) may agree with another municipality (host municipality) that the host municipality shall carry out tasks and make decisions on matters that are not of principal importance. This applies correspondingly between county authorities.

The municipal council or the county council itself delegates the authority to make decisions as stated in the first paragraph, by instructing the chief municipal executive in its own municipality or county authority to delegate the authority to the chief municipal executive in the host municipality.

Popularly elected bodies in the host municipality or county authority do not have authority to issue instructions or reverse decisions in matters where the authority has been delegated pursuant to the second paragraph.

A cooperating municipality or county authority may instruct the host municipality or county authority as regards the execution of the delegated authority in matters that only concern the cooperating municipality or its inhabitants.

If the host municipality or county authority makes decisions pursuant to delegated authority from a cooperating municipality or county authority, the cooperating municipality or county

authority may reverse the decision pursuant to the provisions of section 35, first paragraph of the Public Administration Act.

### **Section 20-3. Host municipality cooperation with a joint elected committee**

Municipalities that participate in host municipality cooperation may agree to establish a joint elected committee in the host municipality. This applies accordingly to host municipality cooperation with joint elected bodies between county authorities.

The participants may authorise the committee to make decisions on all types of matters, unless otherwise provided by law. This shall be done by the municipal councils or county councils itself delegating the same authority to the committee. The committee may authorise the chief municipal executive of the host municipality or host county authority to make decisions on matters that are not of principal importance.

Each participant in the cooperation shall be represented by two or more members on the committee. The committee itself elects a chair and deputy chair from among its members. It may be stipulated in the cooperation agreement that the offices of chair and deputy chair shall rotate among the participants.

Provisions for committees pursuant to section 5-7 apply accordingly insofar as they are appropriate.

Popularly elected bodies in the host municipality or host county authority have no authority to issue instructions or reverse decisions when delegation has taken place from the cooperating municipalities or county authorities to the host municipality or host county authority pursuant to the second paragraph.

A cooperating municipality or county authority may instruct the host municipality as regards the execution of the delegated authority in matters that only concern the cooperating municipality or county authority or its inhabitants.

If the host municipality or host county authority makes decisions pursuant to delegated authority from a cooperating municipality or county authority, the cooperating municipality or county authority may reverse the decision pursuant to the provisions of section 35, first paragraph of the Public Administration Act.

When there is a statutory limit on the number of members of a popularly elected body, and the representation requirement in the third paragraph results in the number of members in the joint committee exceeding the statutory limit, the number of members shall be reduced in the following manner: The number of committee members that exceeds the statutory limit shall be removed from the committee following the drawing of lots. If this method results in one of the participating municipalities or county authorities in the cooperation not being represented on the committee when dealing with matters from the municipality concerned, one additional member shall be removed and be replaced by a member from this municipality.

### **Section 20-4. The cooperation agreement**

A written cooperation agreement shall be entered into between the participants in the host municipality when a host municipality cooperation is established.

Each municipal council or county council in all the participating municipalities and county authorities themselves shall adopt the cooperation agreement and amendments that concern matters as stated in the third and fourth paragraph.

The cooperation agreement shall contain provisions on

- a. the participants in the cooperation
- b. which of the participants is the host municipality or host county authority
- c. what tasks and authority shall be delegated to the host municipality or host county authority
- d. when tasks and authority shall be transferred
- e. which of the host municipality's decisions shall the participants be informed about
- f. how the financial settlement between the cooperating municipalities and the host municipality shall be conducted
- g. how the participants may withdraw from the cooperation
- h. how the cooperation shall be dissolved
- i. other matters which by law shall be determined in an agreement.

Agreements regarding host municipality cooperation with a joint committee shall also contain provisions concerning the number of representatives in the committee for each participant.

In host municipality cooperation between municipalities, the host municipality shall inform the County Governor that the cooperation has been established. In host municipality cooperation between county authorities, the host county authority shall inform the Ministry that the cooperation has been established.

#### **Section 20-5. Handling complaints in an administrative host municipality**

When a host municipality or host county authority makes a decision that may be appealed pursuant to section 28, first paragraph of the Public Administration Act, the municipality or county authority that has delegated the authority shall be the appellate instance. The administration in the host municipality or host county authority is then the subordinate instance pursuant to section 33, second paragraph of the Public Administration Act. The administration is also the subordinate instance where the law states that a government body is the appellate instance

The appellate instance does not have the authority to reverse decisions pursuant to section 35, second and third paragraph of the Public Administration Act. However, government appellate instances may reverse decisions that must be deemed invalid.

#### **Section 20-6. Handling complaints in host municipality cooperation with a joint, popularly elected committee**

When decisions are made in host municipality cooperation with a joint, popularly elected committee that may be appealed pursuant to section 28, first paragraph of the Public Administration Act, the appellate instance shall be one or more special appeal boards appointed by the municipal councils or the county councils in the participating municipalities. The joint, popularly elected committee is the subordinate instance pursuant to section 33, second paragraph of the Public Administration Act. The committee is also the subordinate where the law states that a government body is the appellate instance.

Each of the participants shall be represented on an appeal board appointed pursuant to the first paragraph. The appeal board elects its chair and deputy chair. In other respects, the provisions relating to committees pursuant to section 5-7 shall apply insofar as they are appropriate.

The appellate instance does not have the authority to reverse decisions pursuant to section 35, second and third paragraph of the Public Administration Act. However, government appellate instances may reverse decisions that must be deemed invalid.

#### **Section 20-7. Legality review**

Decisions made by the host municipality's bodies on behalf of a cooperating municipality may be brought before the Ministry by three or more members of the collaborating municipality's municipal council or county council for a review of the legality of the decision, cf. chapter 27.

Members of the municipal council or county council of the host municipality or host county authority cannot require a review of decisions made by the host municipality or host county authority bodies on behalf of the cooperating municipality or county authority.

#### **Section 20-8. Dissolution and withdrawal**

If the participants so agree, the cooperation may be dissolved with immediate effect.

Each participant may, with one year's notice, terminate its agreement on host municipality cooperation. A different term of notice may be agreed.

#### **Section 20-9. The authority of the host municipality's control committee**

The control committee in the host municipality or host county authority keeps control of the activities in the host municipality or host county authority on behalf of all the participants in the host municipality cooperation.

#### **Section 20-10. State supervision of host municipalities**

Orders or sanctions by government supervisory authorities shall be directed to the host municipality or host county authority in cases where a cooperating municipality or county authority has delegated the execution of statutory tasks to a host municipality or host county authority. The host municipality or host county authority is responsible for complying with orders and sanctions.

Section 30-3, first paragraph applies correspondingly to the host municipality or host county authority.

## Chapter 21. Representation of both genders on the board of limited liability companies

### **Section 21-1. Representation of both genders on the board**

The rules of section 20-6 of the Limited Liability Companies Act concerning the representation of both genders on the board apply correspondingly for limited liability companies in which municipalities or county authorities own no less than 2/3 of the company's shares. The Ministry may lay down regulations for the rules in the first sentences to also apply to limited liability companies in which municipalities or county authorities own less than 2/3, when the rest of the company is owned by the State or companies that are directly or indirectly wholly owned by the State.

The Ministry may lay down regulations concerning the actual execution of the election of board members elected by and from the employees in companies as stated in the first paragraph.

# **Part VII**

## **Internal control**

## Chapter 22. The municipal council and the county council's control responsibility

### Section 22-1. The municipal council and the county council's control responsibility

The municipal council and the county council have the supreme responsibility for the control of the municipality and the county authority's activities.

The municipal council and the county council may require that any matter shall be brought before them for information or decision.

The municipal council and the county council may reverse decisions that have been made by other popularly elected bodies or by the administration, if these could have been able to reverse the decision themselves.

## Chapter 23. The control committee

### Section 23-1 The control committee

The municipal council and the county council themselves elect a control committee to have continuous supervision on their behalf.

The municipal council and the county council themselves elect a chair, a deputy chair and other members and alternate members to the committee. The chair cannot be a member of the same party or belong to the same group as the mayor. The committee shall be composed of no fewer than five members. At least one member shall be elected from among the members of the municipal council or the county council.

The following are ineligible for election

- a. the mayor and the deputy mayor
- b. members and alternate members of the municipal executive committee or the county executive committee
- c. members and alternate members of popularly elected bodies with decision-making authority. Members and alternate members of the municipal council or county council are nevertheless eligible.
- d. members of the municipal executive board or county executive board
- e. members and alternate members of the municipal council committee or the county council committee
- f. employees in the relevant municipality or county authority
- g. persons who hold a key position, or who are members or alternate members of the board or corporate assembly of a company in which the municipality or the county authority has ownership interests
- h. persons who hold key positions, or who are members or alternate members of the board of an intermunicipal political council or a municipal task community.



The municipal council and the county council may, at any time, conduct new elections of the committee members. If one or more members of the committee are to be replaced, all the members shall be re-elected.

### **Section 23-2. The responsibilities and authority of the control committee**

The control committee shall ensure that

- a. the municipality or the county authority's accounts are audited in a satisfactory manner.
- b. it is monitored that the financial management is being conducted in conformity with the current provisions and resolutions
- c. a performance audit is carried out on the municipality or the county authority's activities and on the companies in which the municipality or the county authority has ownership interests
- d. monitoring of the administration of the municipality or the county authority's ownership interests in companies, etc. (ownership supervision)
- e. resolutions the municipal council or county council pass when processing audit reports are followed-up.

The chair of the control committee has the right to attend and speak at meetings of the municipal council or the county council when the committee's matters are to be discussed. The chair of the committee may allow one of the other members of the committee to exercise this right on his or her behalf.

The control committee may require that the municipality or the county authority submit any information, report or document it finds necessary to carry out its tasks. The control committee may also conduct investigations it deems necessary. Confidentiality does not prevent the implementation of supervisory measures pursuant to this paragraph.

The control committee has the right to attend meetings in camera of popularly elected bodies in the municipality or county authority. The municipal council or county council itself may decide that this right does not apply to meetings in camera of the municipal council and the municipal executive board or the county council and the county executive board.

The Ministry may lay down regulations on the control committee's tasks and procedures.

### **Section 23-3. Performance audits**

Performance audits involve implementing systematic assessments of finances, productivity, rule compliance, goal achievement and impact based on the resolutions of the municipal council or county council.

The control committee shall at least once in the term of office, and no later than the end of the year after the municipal council or the county council has been constituted, prepare a plan showing the areas in which performance audits are to be conducted. The plan shall be based on a risk and essentiality assessment of the municipality or the county authority's activities and the activities of the municipality or the county authority's companies. The purpose of the risk and essentiality assessment is to find out where there is the greatest need for performance audits.

The plan shall be adopted by the municipal council and the county council itself. The municipal council and the county council may delegate to the control committee to make changes to the plan.

#### **Section 23-4. Ownership control**

Ownership control involves checking whether the party exercising the municipality or the county authority's ownership interests does this in accordance with the laws and regulations, the resolutions of the municipal council or the county council and recognised principles of corporate governance.

The control committee shall at least once in the term of office, and no later than the end of the year after the municipal council or the county council has been constituted, prepare a plan for which ownership controls are to be carried out. The plan shall be based on a risk and essentiality assessment of the municipality and the county authority's ownership. The purpose of the risk and essentiality assessment is to find out where there is the greatest need for ownership control.

The plan shall be adopted by the municipal council and the county council itself. The municipal council and the county council may delegate to the control committee to make changes to the plan.

#### **Section 23-5. Reporting to the municipal council or the county council**

The control committee shall report the results of its work to the municipal council or the county council. In matters to be sent to the municipal council or the county council, the chief municipal executive shall be given the opportunity to comment before the control committee deals with the matter.

#### **Section 23-6. Rights of access and investigations in companies, etc.**

The control committee may require the information necessary to conduct its control, from

- a. intermunicipal companies pursuant to the Intermunicipal Companies Act
- b. intermunicipal political council
- c. municipal task community
- d. limited liability companies where a municipality or the county authority alone or together with other municipalities, county authorities or intermunicipal companies directly or indirectly own all of the shares.

The information pursuant to the first paragraph may be required from the undertaking's general manager, the board and the chosen auditor of the company.

The control committee may carry out investigations on the undertaking if necessary.

The municipal council or the county council may establish rules on the control committee's monitoring of the administration of the municipality or the county authority's interests in companies as stated in the first paragraph, and on the documents etc. that shall be sent to the control committee.

The control committee shall be notified of general meetings, meetings of the board of representatives and corresponding bodies and has the right to attend these meetings.

The control committee's right of access and to conduct investigations pursuant to the first and second paragraph also applies correspondingly to other undertakings that perform tasks on behalf of the municipality or the county authority. However, access and investigations shall only include what is necessary to determine whether the contract is being fulfilled.

#### **Section 23-7. The secretariat**

The municipal council and the county council shall ensure that the control committee receives secretariat assistance that satisfies the needs of the committee.

The secretariat shall ensure that the matters dealt with by the control committee are properly investigated, and that the committee's decisions are implemented.

The secretariat shall be independent of the municipality and the county authority's administration and of the person or persons who conduct the audit for the municipality or the county authority.

The secretariat function cannot be assigned to

- a. employees in the municipality or county authority who have other duties than to be a secretary of the control committee
- b. whosoever conducts the audit for the municipality or county authority in question
- c. members of the control committee, the municipal council or the county council in the relevant municipality or county authority.

Whosoever performs secretariat duties for the control committee is directly subordinate to the control committee and shall follow the guidelines and orders issued by the committee.

The municipal council and the county council themselves choose the secretariat for the control committee following a recommendation by the control committee.

## **Chapter 24. Audits**

#### **Section 24-1. Appointment of an auditor**

The municipal council and the county council itself decide whether the municipality or the county authority shall hire its own auditors, participate in intermunicipal cooperation on audits or enter into an agreement with another auditor.

The municipal council and the county council itself choose their auditor.

Resolutions pursuant to the first and second paragraph are passed following a recommendation from the control committee.

The board of representatives of an intermunicipal political council and a municipal task community choose an accounting auditor, unless otherwise stated in the cooperation agreement.

**Section 24-2. The responsibilities and powers of the auditor**

The auditor shall conduct accounting audits, performance audits, ownership control and other control determined by law or pursuant to the law.

The auditor shall plan, conduct, document and report his or her work in accordance with the laws and regulations and generally accepted municipal auditing standards.

The auditor shall report to the control committee on his or her work and the results of his or her audit.

The auditor may require that the municipality or the county authority submit all information, reports or documents that he or she deems necessary to perform his or her duties. The auditor may also conduct investigations he or she deems necessary. Confidentiality does not prevent the implementation of supervisory measures pursuant to this paragraph.

The auditor has a duty of confidentiality pursuant to sections 13 to 13 e of the Public Administration Act.

The Ministry may lay down regulations on the auditor's duties and qualifications, change of auditor and limitations in the auditor's duty of confidentiality.

**Section 24-3. The auditor's right to attend meetings, information requirement, etc.**

The responsible auditor or his or her deputy has the right to attend and speak at meetings of the control committee. The auditor has the right to have his statements recorded. However, the right to attend meetings does not apply when a matter concerning an auditor's employment conditions is being discussed.

The responsible auditor or his or her deputy must attend the meetings of the municipal council or the county council when the municipal council or the county council shall discuss matters related to the auditor's tasks.

The responsible auditor or his or her deputy has a right to attend meetings of the municipal council or the county council.

The responsible auditor shall disclose information about the municipality or the county authority that he or she has become aware of during the audit if a member of the municipal council, the county council or the control committee so requires.

If the auditor is requested outside a meeting to disclose information to a member of the municipal council, the county council or the control committee, the auditor may request to give his or her answer at a meeting.

**Section 24-4. Auditor independence and conduct**

The auditor shall be independent and have good conduct.

The Ministry may lay down regulations on the requirements relating to the auditor's independence and conduct.

**Section 24-5. The contents of the audit**

The auditor shall assess whether the annual accounts have been presented in accordance with the laws and regulations.

The auditor shall assess whether the recording and documentation of accounting information are in accordance with the laws and regulations.

The auditor shall assess whether the annual report contains the information the laws and regulations require. The auditor shall assess whether the information on finance in the annual report is consistent with the annual accounts. The auditor shall check whether the annual report provides comprehensive information about significant deviations in amounts compared with the annual budget and about significant deviations from the municipal council or the county council's terms for the use of the appropriations.

Through the audit, the auditor shall help to prevent and identify irregularities and errors.

**Section 24-6. The auditor's duties when conducting an audit**

The auditor shall check whether the financial internal control has been arranged in a satisfactory manner.

The auditor shall assess the risk that the annual accounts do not provide the correct information due to fraud or errors and obtain sufficient information to assess whether there are legal or regulatory breaches that are of significant importance to the annual accounts.

The auditor shall assess the risk of breach of the municipal council or the county council's terms for the use of the appropriations and obtain sufficient information to assess whether the annual accounts contain material deviations from these terms.

**Section 24-7. Written observations from the auditor**

The auditor shall provide written notifications of

- a. material errors that may mean that the annual accounts do not provide the correct information
- b. material shortcomings in the registration and documentation of the information from the accounts
- c. material shortcomings in the financial internal control
- d. lack of or inadequate explanation in the annual report for material budget deviations
- e. any irregularity
- f. why he or she has not signed the statements the municipality or the county authority shall send to the public authorities, and that under the law or regulations the auditor shall confirm.
- g. why he or she is resigning from the auditing engagement.

Notifications as stated in the first paragraph shall be sent in numbered letters to the control committee, with a copy to the chief municipal executive.

If the auditor identifies or otherwise becomes aware of irregularities, he or she shall immediately report this pursuant to the first paragraph, letter e. Once the case has been

clarified, the auditor shall send a new letter to the control committee, with a copy to the chief municipal executive.

The auditor shall submit an annual written summary to the control committee regarding matters that have been raised pursuant to the first paragraph, but which have not been remedied or which have not been properly followed-up.

**Section 24-8. The auditor's report**

The auditor shall submit an auditor's report to the municipal council or the county council no later than 15 April. A copy shall be sent to the control committee, the municipal executive committee, or the county executive committee and the chief municipal executive. The auditor's report shall be submitted even if the annual accounts or the annual report are not available or are incomplete.

In the auditor's report, the auditor shall comment on the following:

- a. whether the annual accounts have been presented in accordance with the laws and regulations
- b. whether the registration and documentation of the accounting information is in accordance with the laws and regulations
- c. whether the annual report contains the information the law and regulations require
- d. whether the information on finance in the annual report is consistent with the annual accounts
- e. whether it has been identified that there is reason to believe that the annual report does not provide adequate information on material budget deviations.

If in the auditor's report the auditor concludes with reservations, concludes negatively, or does not have sufficient grounds to conclude, the reason for this shall be described. If the auditor finds that the annual accounts or the annual report should not be adopted as they are presented, this shall be stated specifically.

The auditor's report shall also include other matters the auditor deems necessary to disclose in accordance with good municipal auditing standards.

**Section 24-9. Simplified compliance audit of the financial management**

The auditor shall ensure that the municipality or the county authority's financial management is mainly in accordance with current provisions and resolutions.

The auditor shall base the task on a risk and essentiality assessment, which shall be presented to the control committee. The auditor shall obtain sufficient information to assess whether there is any breach of law, regulations or resolutions, where the breach is of major importance to financial management.

The auditor shall submit no later than 30 June a written statement to the control committee with a copy to the chief municipal executive, regarding the outcome of the audit.

**Section 24-10. Rights of access and investigations in companies, etc.**

The provisions relating to access and investigations in companies, etc. in section 23-6 apply correspondingly to the municipality or the county authority's auditor.

## Chapter 25. Internal control

**Section 25-1. Internal control in the municipality and the county authority**

Municipalities and county authorities shall have internal control of the administration's activity to ensure that laws and regulations are complied with. The chief municipal executive of the municipality or the county authority is responsible for the internal control.

The internal control shall be systematic and adjusted to the size, distinctive character, activities and risk factors of the activity.

In the event of internal control pursuant to this paragraph, the chief municipal executive shall

- a. prepare a description of the activity's main tasks, objectives and organisation
- b. have the necessary routines and procedures
- c. identify and follow-up non-conformance and risk of non-conformance
- d. document the internal control in the form and the extent necessary
- e. evaluate and when required improve written procedures and other internal control measures.

**Section 25-2. Reporting to the municipal council and the county council on internal control and government supervision**

The chief municipal executive shall report at least once a year to the municipal council and the county council on internal control and of the results from government supervision.

## Chapter 26. Corporate governance

**Section 26-1. Ownership report**

Municipalities and county authorities shall at least once in the term of office prepare an ownership report that shall be adopted by the municipal council or the county council itself.

The ownership report shall contain

- a. the corporate governance principles of the municipality or the county authority
- b. a list of companies, municipal or county authority undertakings and other businesses in which the municipality or county authority has an ownership or similar interests
- c. the purpose of the municipality or the county authority's ownership or similar interests in the businesses as stated in letter b.

# **Part VIII**

## **Government control and supervision**



## Chapter 27. Legality review

### Section 27.1. Legality review

Three or more members of the municipal council or the county council may together demand that the Ministry reviews the legality of a decision. Such a demand must be put forward within three weeks of the decision being made. The time limit provisions laid down in section 30 of the Public Administration Act apply. The demand shall be submitted to the body that has made the decision. If the body maintains the decision, the matter shall be submitted to the Ministry.

If special reasons so indicate, the Ministry may, on its own initiative, review the legality of a decision.

### Section 27-2. The legality of what may be reviewed

The legality of the following may be reviewed:

- a. final decisions made by a popularly elected body or the municipal or county authority administration
- b. decisions on whether a meeting shall be held for open or closed doors
- c. decisions that concern the question of disqualification.

The legality of the following cannot be reviewed:

- a. other procedural decisions than those stated in the first paragraph, letter b and c decisions on employment, dismissal with notice or dismissal without notice
- b. the question whether a decision is contrary to the provisions laid down in or pursuant to the Public Procurement Act.

### Section 27-3. The contents of the legality review

In the event of a legality review, the Ministry shall consider whether the decision

- a. is lawful in terms of content
- b. was made by someone with the necessary authority to make such a decision
- c. came into being in a lawful manner

However, a legality review pursuant to section 27-1, first paragraph, may be limited to the matters that have been addressed in the demand. In the event of a legality review pursuant to section 27-1, second paragraph, the Ministry determines the extent of the review.

The legality review may only include the aspects of the decision related to public law.

The ministry shall annul the decision if mistakes have been made that make it invalid.

The legality review does not result in the implementation of the decision being postponed. However, the following bodies may determine that the decision shall not be implemented until the legality review has been conducted:

- a. the body that made the decision
- b. a municipal or county authority body that is superior to the decision-making body
- c. the Ministry.

#### **Section 27-4. Duty to provide information in the event of a legality review**

In connection with a legality review, the Ministry may require that the municipality and the county authority provide information on individual matters or aspects of the activity of the municipality and the county authority. The Ministry has the right of access to all municipal and county authority case documents.

## **Chapter 28. Government control of municipalities and county authorities with financial imbalance**

#### **Section 28-1. Entry into the Register for governmental approval of financial obligations (ROBEK)**

The Ministry shall keep a Register of Governmental Approval of Financial Obligations (ROBEK) of all municipalities and county authorities where at least one of the following circumstances have occurred:

- a. The operating budget has been adopted with overspending.
- b. The operating part of the finance plan has been adopted with overspending.
- c. The operating part of the finance plan, operating budget or operating accounts of the municipal treasury or the county authority treasury show that overspending shall be covered over more than two years after it arose.
- d. The balance sheet of the municipal treasury or the county authority treasury shows an aggregated overspending from the internal accounts that is greater than three per cent of the operating revenues.
- e. The finance plan or annual budget has not been adopted within the deadlines laid down in the laws or regulations, or within a deadline the Ministry has laid down after the finance plan or annual budget has been annulled following a legality review.
- f. The annual accounts of the municipal treasury or the county authority treasury have not been adopted within the deadlines laid down in the laws or regulations, or within a deadline the Ministry has laid down after the financial statements have been annulled following a legality review.
- g. The Ministry has made a decision pursuant to section 16 a of the Local Government Boundaries Act.

If there is clearly no need to review the municipality or the county authority's annual budget and borrowing, the Ministry may determine that the municipality or county authority shall not be entered in the ROBEK register.

#### **Section 28-2. The importance of the ROBEK register to a third party**

The ROBEK register shall be publicly available.

When it is decisive for the legal position of a third party whether this party was or was not aware of a matter, a third party is deemed to be familiar with what is registered in pursuant of this provision.

**Section 28-3. Governmental control of the annual budget and borrowing, etc.**

The Ministry shall review the legality of annual budget decision made by municipalities or county authorities entered in the ROBЕК register.

If at least one of the circumstances stated in section 28-1, first paragraph has occurred, a decision to take up a loan is not valid until it has been approved by the Ministry. A decision to enter into an agreement on leasing tangible fixed assets where the lease agreement may incur the municipality or the county authority expenses beyond the next four budget years is also not valid until it has been approved by the Ministry if at least one of the conditions stated in section 28-1, first paragraph have occurred. The Ministry cannot approve decisions pursuant to the first and second paragraph until the municipality or the county authority have been entered in the ROBЕК register. The first and second sentence do not apply if the Ministry has decided pursuant to section 28-1, second paragraph that the municipality or the county authority shall not be entered in the ROBЕК register.

The Ministry approves decisions to take up loans pursuant to the second paragraph, first sentence by determining an upper borrowing limit for the budget year. The Ministry may lay down conditions for the use of the borrowing limit if this is necessary for the sake of the municipality or the county authority's finances.

A loan agreement is not valid if the lender understood or ought to have understood that the loan exceeds the borrowing limit or is in violation of the terms for use of the borrowing limit that the Ministry has laid down pursuant to the third paragraph. A lease agreement as stated in the second paragraph, second sentence, is not valid until the Ministry has approved the decision to enter into the agreement.

**Section 28-4. The municipality and the county authority's duty to provide information and to adopt an action plan**

If at least one of the conditions stated in section 28-1, first paragraph has occurred, before they enter into agreements, municipalities and county authorities shall inform the contracting party that decisions on loans and long-term lease agreements shall be approved by the Ministry. Before the municipalities and the county authorities enter into agreements on loans, they shall also document to the contracting party that the agreement is within the borrowing limit and that any conditions for the use of the borrowing limit the Ministry has laid down have been met.

The municipal council or the county council shall establish an action plan that ensures the finances are brought into balance.

The action plan shall be established no later than 30 June if one of the conditions stated in section 28-1, first paragraph, letters a, b, e or g has occurred, and no later than 31 December if one of the conditions stated in section 28-1, first paragraph, letter c, d or f has occurred.

The action plan shall be submitted to the Ministry as soon as possible.

**Section 28-5. Removal from the ROBЕК register**

Municipalities and county authorities that have been entered in the ROBЕК register pursuant to section 28-1, first paragraph, letter a shall be removed from the register if the operating budget the following year has been adopted without overspending.

Municipalities and county authorities entered in the ROBEK register pursuant to section 28-1, first paragraph, letter b shall be removed from the register if the operating part of the finance plan for the following year has been adopted without overspending.

Municipalities and county authorities entered in the ROBEK register pursuant to section 28-1, first paragraph, letter c, d or g shall be removed from the register if the overspending in the internal accounts has been covered in full.

Municipalities and county authorities entered in the ROBEK register pursuant to section 28-1, first paragraph, letter e or f shall be removed from the register if the finance plan, annual budget or financial statements of the municipal treasury or the county authority treasury for the following year have been adopted within the deadline.

**Section 28-6. Legality review of decisions on financial statements in case of a negative auditor's report**

If an auditor's report has been issued with a negative conclusion on the annual accounts, and the annual accounts have not been amended to correct the grounds for this conclusion, the Ministry shall review the legality of the decision on the annual accounts.

## **Chapter 29. Levy of execution and bankruptcy. Stoppage of payments and government supervisory board**

**Section 29-1. Levy of execution and garnishment, bankruptcy and debt settlement proceedings**

The assets of a municipality or county authority may not be the object of execution or attachment.

A municipality or county authority may not be declared insolvent or institute debt settlement proceedings pursuant to the Bankruptcy Act.

**Section 29-2. Resolution to stop payments. Appointment of a supervisory board**

If due to difficulties that are not purely transitory, a municipality or a county authority is unable to discharge debts that have fallen due, the municipal council or county council itself has a duty to pass a resolution to stop payments. Notification of any such resolution shall be sent immediately to the Ministry.

If no resolution is passed pursuant to the first paragraph, the Ministry may order stoppage of payments for the municipality or county authority concerned.

The Ministry announces stoppage of payments in the press and the Norwegian Gazette. If the municipality or county authority has established one or more municipal or county authority undertakings pursuant to Chapter 9, the Ministry shall also send notification of stoppage of payments to the National Register of Business Enterprises.

When a decision has been made to stop payments, the Ministry shall immediately appoint a supervisory board for the municipality or the county authority. The supervisory board shall consist of the mayor or county mayor, the chief municipal executive and no fewer than three members appointed by the Ministry. If the municipality or the county authority has a parliamentary form of government, the municipality or the county authority shall be represented by the mayor or the county mayor and the chair of the municipal executive board or the county executive board.

### **Section 29-3. Payments after a resolution to stop payments**

As long as the stoppage of payments is in force, no payments shall be made without approval by or authorisation from the supervisory board. The following payments shall be made first:

- a. payments that are necessary for the municipality or county authority to fulfil obligations imposed upon it by statute in respect of individual persons.
- b. payments of wages, pensions and other remuneration to the employees of the municipality or the county authority and popularly elected representatives holding full-time office, payments of contributions to the wages of the employees of others that the municipality or the county authority is obliged to cover, and payments that concern claims as stated in sections 9-3 and 9-4 of the Creditors Security Act.
- c. payments that are necessary to avoid the risk of material financial loss or significant adverse effects.

Interest, the costs of recovery and legal costs related to claims that have preferential rights pursuant to the first paragraph, have the same preferential right as the main claim.

The supervisory board decides in what order payments shall be made in respect of such claims as stated in the first and second paragraph, and to cover other claims if there are funds available.

### **Section 29-4. Preparation of a revised finance plan and new annual budget**

After the municipal council or county council has expressed its views, the supervisory board shall adopt a new finance plan and new annual budget for the municipality or county authority.

The finance plan and the annual budget shall be sent to the Ministry for approval. The Ministry may make amendments to the finance plan and the annual budget if this is deemed necessary considering the future financial situation of the municipality or the county authority.

When the Ministry has approved the finance plan and the annual budget, the stoppage of payments ceases, and the supervisory board is dissolved.

The Ministry shall approve any amendments to the finance plan in the current year. The Ministry shall also approve resolutions on the finance plan and amendments to the plan for the next three years. In the same period, the Ministry may also make amendments to the finance plan and the annual budget, where this is deemed necessary considering the future financial situation of the municipality or the county authority.

## Chapter 30. State supervision

### **Section 30-1. Area of application for this chapter**

State supervision of the municipalities or county authorities' fulfilment of duties stipulated in or in pursuance of statutes shall take place according to the provisions of this Chapter unless the legislation states otherwise.

The provisions of the Chapter are limited to supervision of duties imposed only on municipalities or county authorities. The provisions of sections 30-6 and 30-7 shall still apply to all state supervision directed at a municipality or county authority.

### **Section 30-2. Supervision of legality**

The County Governor may supervise the legality of the municipality or the county authority's fulfilment of duties stipulated in or in pursuance of statutes. The County Governor may only conduct such supervision where statutory authority has been granted to do so.

### **Section 30-3. Rights of access to information and investigations**

The County Governor may require that the municipality or county authority provides information regarding individual cases or aspects of the activities of the municipality or county authority. The County Governor has the right to access all municipal and county authority case documents and may require municipal or county authority bodies, popularly elected representatives and employees to provide the information and notifications necessary for the County Governor to conduct supervision pursuant to this Chapter. The County Governor may also conduct the investigations the County Governor believes are necessary. Confidentiality does not preclude access to information and investigations pursuant to this paragraph.

The first paragraph is also applicable to independent legal entities that perform municipal or county authority tasks for municipalities or county authorities.

### **Section 30-4. Orders for rectification**

The County Governor may order the municipality or county authority to remedy circumstances that violate the provisions according to which the County Governor conducts supervision.

Before the County Governor or other state supervisory authority adopts an order for rectification pursuant to the first paragraph or other sanctions against a municipality or a county authority, the supervisory authority shall assess the effects they may have on the municipality or the county authority's other activities.

### **Section 30-5. Party rights**

In the event of state supervision, the municipalities and the county authorities may appeal a decision and exercise party rights pursuant to the provisions of Chapter IV, V and VI and sections 14, 41 and 42 of the Public Administration Act.

**Section 30-6. Coordinating the supervisory activity**

The County Governor shall coordinate the planned state supervision activities towards the municipality and the county authority and assess the total extent of the state supervision with the individual municipality or county authority.

All state supervisory authorities shall inform the County Governor of plans for supervisions and notifications of order for rectification or other sanctions that have significant effects on the municipality or county authority. The County Governor may set deadlines for when notification of plans for supervision shall be submitted to the County Governor. The supervisory authorities that have been appointed as coordinating authorities for supervisions shall inform the County Governor concerning the coordinated plans for supervision.

The County Governor shall communicate to other supervisory authorities their assessment of the situation in the individual municipalities and the county authority.

**Section 30-7. Coordination between state supervisory activity and municipalities or county authorities**

The County Governor shall discuss with the municipalities and the county authorities the prioritisation and implementation of planned supervisions.

In their planning, prioritisation and implementation of supervisions, state supervisory authorities shall consider the total state supervision of each municipality or county authority and the relevant performance audit reports. The supervisory authorities shall consider postponing or not conducting supervisions if the municipality or the county authority has recently carried out a control on the same topic.

Before orders for rectifications or other sanctions with significant effects on the municipality or county authority are decided, the supervisory authority shall, insofar as possible, have a dialogue with the municipality or county authority concerning the sanctions and the municipality or the county authority's follow-up. The municipality or the county authority is obliged to participate in the dialogue.

**Part IX**  
**Entry into force,**  
**transitional provisions**  
**and amendments to**  
**other Acts**



# Chapter 31. Entry into force, transitional provisions and amendments to other Acts

## **Section 31-1. Entry into force**

The Act enters into force from such date as the King decides. Act no. 107 of 25 September 1992 relating to municipalities and county authorities is repealed from the same date.

The King may enforce and repeal the individual provisions at different times.

## **Section 31-2. Transitional provisions for intermunicipal boards pursuant to section 27 of the Local Government Act of 1992**

Intermunicipal cooperation that has been organised as an intermunicipal board pursuant to section 27 of Act no. 107 of 25 September

1992 relating to municipalities and county authorities, must be transformed into an intermunicipal political council pursuant to section 18-1 or a municipal task community pursuant to section 19-1 no later than four years after chapters 18 and 19 respectively herein enter into force.

Each municipal council and county council in all the participating municipalities shall themselves resolve to transform pursuant to the first paragraph and adopt the cooperation agreement.

When an intermunicipal board is transformed pursuant to the paragraph herein, the board's assets, rights and obligations are transferred to the new cooperation. If the new cooperation is not a separate legal entity, the assets, rights and obligations are transferred to one or more of the participating municipalities. Creditors and other rights holders cannot oppose the transfer. The transfer will in itself is not a reason for the legal relations to cease.

When an intermunicipal board is transformed pursuant to the paragraph herein, the re-registration in the Land Register and other public registers shall be done by changing the name of the board in the registers.

## **Section 31-3. Transitional provisions on internal control**

Until Chapter 25 comes into force, the following provisions shall apply:

- a. The chief municipal executive shall ensure that the administration is subject to adequate control.
- b. The annual report shall give an account of the measures taken and planned to be taken to ensure adequate control of the activity.
- c. The chief municipal executive shall report to the municipal council and the county council about the results of the state supervision at least once a year.

**Section 31-4. Other transitional provisions**

Act of 25 September 1992 no. 107 relating to municipalities and county authorities chapter 11 and 12, sections 10 a, 16, 24 no. 2, 30, 31, 35, 37, 39 a and 59 is into force for Longyearbyen Community Council until the community council has its constituent meeting at the beginning of the election period 2019-2023.

The King may issue further transitional provisions.

**Section 31-5. Continuation of regulations**

Regulations laid down pursuant to Act no. 107 of 25 September 1992 are also applicable after the Act has come into force, insofar as they also could have been laid down pursuant to the Act here.

**Section 31-6. Amendments of other Acts**

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