

25 Sep. 1992 No. 107

LOCAL GOVERNMENT ACT

Updated with all amendments enacted up to 1st of January 2006

ARRANGEMENT OF SECTIONS

Chapter 1. The purpose and scope of the Act. Local government planning.

- § 1. The purpose of the Act.
- § 2. The scope of the Act.
- § 3. Structure of local government. Names of local authorities. Town.
- § 4. Information concerning the activity of the local authority.
- § 5. Local authority planning.

Chapter 2. Local government bodies.

- § 6. Municipal council and county council.
- § 7. The composition of the municipal council and of the county council.
- § 8. Municipal board of aldermen. County board of aldermen.
- § 9. Chairman of the municipal council. Chairman of the county council. Vice-chairman.
- § 10. Standing committees. Committees.
- § 11. Boards for institutions etc.
- § 12. Municipal district committees.
- § 13. Extension of powers in matters of urgency.
- § 14. Eligibility. Obligation to accept election.
- § 15. Relinquishment of office. Suspension.
- § 16. Promotion and new elections.
- § 17. Constitutive meeting etc. of the municipal council and the county council.

Chapter 3. Parliamentary local government.

- § 18. Introduction and termination of parliamentary local government.
- § 19. Municipal executive board. County executive board.
- § 20. Responsibilities and powers of the municipal executive board and the county executive board.
- § 21. Assistance with office work and elucidation of business for groups in municipal councils and county councils.

Chapter 4. The administration of local authorities.

- § 22. Chief executive.
- § 23. The functions and powers of the chief executive.
- § 24. Local government posts.
- § 25. Jointly constituted committees – management committees.
- § 26. Right of the employees' representatives to be present at meetings of boards.

Chapter 5. Joint discharge of local authority functions.

- § 27. Joint discharge of local authority functions.
- § 28. Transfer of power to make collective agreements.

Chapter 6. Rules of procedure in popularly elected bodies.

- § 29. The area of application of these provisions.
- § 30. The principle of meeting.
- § 31. Open or closed meetings.
- § 32. Scheduling of meetings. Agenda. Summons. Presiding over meetings.
- § 33. Quorum.
- § 34. Amendments to the agenda. Questions.
- § 35. Voting.
- § 36. Proportionally representative elections – list proposals.
- § 37. Proportionally representative elections – final allocation of votes.
- § 38. Elections by majority ballot. Appointments.
- § 39. Regulations. Records.

Chapter 6A. Inhabitant initiative.

- § 39a. Inhabitant initiative.

Chapter 7. Rights and duties of popularly elected representatives.

- § 40. Right and duty to attend meetings of local authority bodies. Disability. Right of access to documents.
- § 41. Covering of expenses and financial loss.
- § 42. Remuneration for work.
- § 43. Pension scheme.

Chapter 8. Finance plan, annual budget, annual accounts and reporting.

- § 44. Finance plan.
- § 45. Annual budget.
- § 46. Content of the annual budget.
- § 47. Binding effect of the annual budget.
- § 48. Annual accounts and annual statement.
- § 49. Reporting by local authorities.
- § 49a. Local government reporting register

Chapter 9. Liability for debts etc.

- § 50. Raising loans.
- § 51. Guarantees and provision of security for the financial liabilities of others.
- § 52. Financial administration.
- § 53. Set-off.
- § 54. Assignment of claims for taxes and levies.
- § 55. Levy of execution and attachment. Insolvency and debt settlement proceedings.
- § 56. Resolution to stop payments. Appointment of supervisory board.
- § 57. Payments after a resolution to stop payments.
- § 58. Preparation of revised annual budget and finance plan.

Chapter 10. State supervision and control.

- § 59. Review of legality, duty to provide information etc.
- § 60. State review and approval of financial obligations.

Chapter 11. Local authority undertakings.

- § 61. The scope of the present Chapter of this Act.

- § 62. Establishment of a local authority undertaking.
- § 63. Memorandum of association.
- § 64. Management of a local authority undertaking.
- § 65. Composition of the board.
- § 66. Term of office for the members of the board.
- § 67. Powers of the board.
- § 68. Meetings of the board.
- § 69. Resolutions that must be approved by the municipal council or the county council.
- § 70. General manager.
- § 71. Powers of the general manager.
- § 72. Relationship to the administration otherwise of the municipal or county authority.
- § 73. Representation.
- § 74. Representation by an agent acting ultra vires.
- § 75. Regulations concerning annual accounts in pursuance of the Accounts Act.

Chapter 12. Internal supervision and control. Audit.

- § 76. Supervisory responsibility of the municipal council and the county council.
- § 77. Control committee.
- § 78. Audit.
- § 79. Independence of the auditor.
- § 80. Inspection of partnerships.

Chapter 13. Commencement. Transitional provisions. Repeals and amendments in respect of other Acts.

- § 81. Commencement. Transitional provisions.
- § 82. Amendment of other Acts.

Cf. Act No. 11 of 17 July 1925 (Svalbard Act). Cf. *earlier* Acts of 14 Jan. 1837 (with supplementary Acts of 11 Feb. 1860, 14 June 1879, 27 July 1896, 11 April 1900, 29 May 1901, 9 June 1903, 17 May 1904, 12 June 1906, 7 June 1910), Nos. 2 and 3 of 30 Sept. 1921 (with supplementary Acts No. 2 of 12 May 1922, No. 1 of 2 June 1922, Nos. 7 and 8 of 10 July 1925, No. 10 of 22 June 1928, No. 5 of 26 June 1929, Nos. 1 and 2 of 24 June 1932, Nos. 2 and 3 of 24 March 1933, Nos. 4 and 7 of 24 June 1933, Nos. 7 and 8 of 7 June 1935), Nos. 5 and 6 of 10 June 1938 (with supplementary Acts Nos. 8 and 9 of 28 June 1946, Nos. 4 and 5 of 4 July 1947, No. 1 of 18 June 1948, Nos. 3 and 4 of 18 March 1949, Nos. 7 and 8 of 30 June 1949, sections 15 and 16 of No. 8 of 15 December 1950, Nos. 5 and 6 of 19 December 1952), No. 1 of 12 Nov. 1954 (Municipal Authorities Act), No. 1 of 16 June 1961 (County Authorities Act), No. 85 of 21 June 1985 (pilot scheme for new form of administration), No. 16 of 2 May 1986 (extended pilot scheme activity).

Chapter 1

THE PURPOSE AND SCOPE OF THE ACT. LOCAL GOVERNMENT PLANNING

§ 1. The purpose of the Act

The purpose of this Act is to make provision for functional democracy in local government and for efficient and effective management of the common local government interests within the framework of the national community and with a view to sustainable development.

§ 2. *The scope of the Act*

This Act applies to the activity of local authorities including local government activity in pursuance of other Acts.

§ 3. *Structure of local government. Names of local authorities. Town*

1. Each municipality belongs to one county. Each county except Oslo forms a county authority.
2. Any change in the structure of local government is to be decided pursuant to statutory provisions.
3. Any change of name of a municipality is to be decided by the King.
Before the question of the name is decided, a statement or statements shall be obtained from the municipal authority or authorities concerned.
4. The county authority shall have the same name as the county.
5. Any municipality with a population exceeding 5000 may use the designation "town" provided that the municipality has an area of dense population characteristic of a town with trade and service functions and a concentration of buildings.

The Ministry may depart from the provision of section 3(1) of this Act where weighty grounds so indicate.

§ 4. *Information concerning the activity of the local authority*

Any municipal authority and any county authority shall promote the active provision of information concerning its activity. The best possible provision shall be made for public access to information in local authority management.

§ 5. *Local authority planning*

1. The municipal authority shall produce a co-ordinated plan for municipal activity. The county authority shall produce a county plan. The county plan shall co-ordinate the activity of the state, of the county authority and of the municipal authorities in the county.
2. Local authority planning shall be based upon a realistic assessment of the anticipated development in the local authority area and of the financial resources that will be available as indicated in the finance plan.
3. Further provisions concerning local authority planning are issued by statute.

Chapter 2
LOCAL GOVERNMENT BODIES

§ 6. *Municipal council and county council*

The municipal council and the county council are the highest municipal and county bodies. They pass resolutions on behalf of the municipal authority or the county authority unless otherwise provided by statute or by resolution to delegate authority.

§ 7. *The composition of the municipal council and of the county council*

1. The municipal council is elected by the inhabitants of the municipality who are entitled to vote pursuant to statutory provisions. The members of the county council are elected by the inhabitants of the county who are entitled to vote pursuant to statutory provisions. The term of office is four years.
2. The number of members of the municipal council shall be an uneven number, which is determined thus for municipalities with:
 - a) not more than 5000 inhabitants, no fewer than 11
 - b) more than 5000 but not more than 10,000 inhabitants, no fewer than 19
 - c) more than 10,000 but not more than 50,000 inhabitants, no fewer than 27
 - d) more than 50,000 but not more than 100,000 inhabitants, no fewer than 35
 - e) more than 100,000 inhabitants, no fewer than 43.

The number of members of the county council shall be an uneven number, which is determined thus for counties with:

- a) not more than 150,000 inhabitants, no fewer than 19
 - b) more than 150,000 but not more than 200,000 inhabitants, no fewer than 27
 - c) more than 200,000 but not more than 300,000 inhabitants, no fewer than 35
 - d) more than 300,000 inhabitants, no fewer than 43.
3. Any change in the number of members is to be resolved by the municipal council or the county council itself in the course of the first three years of its term of office with effect from the next election.
 4. Decisive for the minimum lawful number of members is the number of inhabitants in the municipality or the county at the end of the penultimate calendar year before the election. If it is shown to be the case that the number of members at this point of time is too small in proportion to the number of inhabitants and no resolution for enlargement has been passed, the number of members is to be increased to the statutory minimum at the next election.

§ 8. *Municipal board of aldermen. County board of aldermen*

1. The municipal council and the county council themselves elect the municipal board of aldermen and the county board of aldermen respectively with a minimum of 5 members. Nevertheless this does not apply to any municipal or county authority that has introduced a parliamentary form of government.
2. Members and alternates are elected for four years to the municipal board of aldermen or the county board of aldermen by and from among the members of the municipal council or the county council. The election is conducted as a proportionally representative election where at least one member so demands and otherwise as a majority ballot.
3. The municipal board of aldermen and the county board of aldermen consider proposals for the finance plan, annual budget and tax resolutions. Otherwise the municipal council

and the county council themselves lay down the area of activity for the municipal board of aldermen and the county board of aldermen. The municipal board of aldermen and the county board of aldermen may be empowered to make decisions in all matters unless otherwise provided by statute.

Amended by Act No. 8 of 10 Jan. 1997 (commencement 1 March 1997)

§ 9. *Chairman of the municipal council. Chairman of the county council. Vice-chairman*

1. The municipal council itself elects its chairman and vice-chairman from among the members of the municipal board of aldermen. The county council itself elects its chairman and vice-chairman from among the members of the county board of aldermen. The elections are for the whole term of office. Any person who has been chairman or vice-chairman of the municipal council for the last four years may refuse to stand for re-election to both offices. The same applies to any person who has been chairman or vice-chairman of the county council for the last four years. A claim for exemption must be submitted before the election is held.

In municipalities that have introduced a parliamentary form of government the chairman and vice-chairman are elected from among the members of the municipal council. In counties that have introduced a parliamentary form of government the chairman and vice-chairman are elected from among the members of the county council.

2. If the chairman of the municipal council or the chairman of the county council relinquishes office temporarily, the vice-chairman moves up as chairman of the municipal council or as chairman of the county council, and a new vice-chairman is temporarily elected.

If the chairman of the municipal council or the chairman of the county council retires finally from office, a new election is held.

3. The chairman of the municipal council and the chairman of the county council preside at the meetings of the municipal council and the county council, the municipal board of aldermen and the county board of aldermen. They are the legal representatives of the municipality and the county and sign on behalf thereof in all matters in which the power has not been given to any other person.
4. The chairman of the municipal council and the chairman of the county council have the right to attend and speak at meetings of all other municipal or county bodies save the municipal executive board and the county executive board and bodies under these, but have the right to vote and to make proposals only if they are elected members. The chairman of the municipal council and the chairman of the county council may be represented by another member of the municipal council or of the county council in bodies of which they are not members.
5. The municipal council and the county council may empower the chairman of the municipal council and the chairman of the county council to make decisions in individual matters or in types of business which do not involve questions of principle.

Amended by Acts Nos. 8 of 10 Jan. 1997 (commencement 1 March 1997), 18 of 16 April 1999 (commencement 1 July 1999 pursuant to Resolution No. 388 of 16 April 1999).

§ 10. *Standing committees. Committees*

1. The municipal council and the county council may themselves appoint standing committees for municipal and county purposes or for parts of the municipal or county activity. Such committees shall have no fewer than three members.
2. The municipal council and the county council themselves lay down the area of activity for the standing committees. Such committees may be empowered to make decisions in all matters unless otherwise provided by statute.
3. The municipal council and the county council themselves elect the members and the alternates to the committee, and from among the members the chairman and vice-chairman.
4. The committee may empower the chairman or a working committee to make decisions in individual matters or in types of business which do not involve questions of principle, unless otherwise resolved by the municipal council or the county council.
5. The municipal council and the county council may appoint committees for preparatory discussion of business and for the discharge of special functions. Such a committee may also be empowered to make decisions in individual matters which are directly connected with the committee's terms of reference.
6. The municipal council and the county council may themselves at any time re-organise or abolish standing committees and committees. A committee may also be re-organised or abolished by the body that has been empowered to appoint the committee concerned.

§ 11. Boards for institutions etc.

1. The municipal council and the county council may themselves appoint separate boards for municipal or county institutions etc. Such boards shall have no fewer than three members.
2. The municipal council and the county council themselves issue provisions concerning the composition of the board. It may be laid down therein that the board shall wholly or partly be appointed by the chief executive or be elected by the employees or the users of the institution concerned. Members who shall not be appointed or elected in such manner are elected by the municipal council or the county council.
3. Such a board may be empowered to make decisions concerning the running and organisation of the activity.
4. The municipal council and the county council may themselves at any time re-organise or abolish such boards. Any re-organisation in the form of new elections within the provisions that the municipal council and the county council have themselves issued may be undertaken by the same bodies or persons who have been granted electoral competence.

Amended by Acts Nos. 8 of 10 Jan. 1997 (commencement 1 March 1997), 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999 – see VII thereof).

§ 12. Municipal district committees

1. The municipal council may itself appoint municipal district committees for parts of the municipality. The municipal council itself elects the members and alternates to the committee, and from among the members the chairman and vice-chairman.
2. The municipal council itself may pass a resolution that the members of one or more municipal district committees in the municipal authority area 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 chairman and vice-chairman.

3. The municipal council itself determines the functions of the municipal district committees. A municipal district committee may be empowered to make decisions in all matters concerning that part of the municipality unless otherwise provided by statute.
4. The municipal district committee may empower the chairman or a working committee to make decisions in individual matters or in types of business which do not involve questions of principle unless otherwise resolved by the municipal council.
5. The municipal council may itself at any time re-organise or abolish a municipal district committee. This does not apply when the municipal district committee has been elected by direct election.
6. For the conduct of direct elections to municipal district committees the provisions of the Representation of the People Act apply in so far as they are appropriate.
7. The Ministry may by regulations issue further provisions concerning direct elections to municipal district committees.

Amended by Acts Nos. 57 of 28 June 2002 (commencement 1 Sep. 2002 pursuant to Resolution No. 646 of 28 June 2002), 4 of 10 Jan. 2003 (commencement 1 Feb. 2003 pursuant to Resolution No. 3 of 10 Jan. 2003).

§ 13. Extension of powers in matters of urgency

1. The municipal council and the county council may themselves lay down that the board of aldermen or the county board of aldermen, a standing committee, the municipal executive board or the county executive board shall have the power to pass resolutions in matters which should have been decided by another body, when it is necessary for a resolution to be passed so quickly that there is not time to summon such body.
2. Notice of any resolution passed in pursuance of this section is to be put before the body concerned at its next meeting.

§ 14. Eligibility. Obligation to accept election

1. For elections to
 - the board of aldermen and the county board of aldermen
 - standing committees
 - municipal district committees
 - the control committee
 - the municipal executive board and the county executive board
 - municipal or county boards appointed in pursuance of other Actsthe following rules apply:
 - a) Eligible and obliged to accept election is any person who has the right to vote in elections to the municipal council and county council and who on polling day is entered in the population register as being resident in the municipality concerned or in one of the municipalities in the county.

Any person who has not reached the age of entitlement to vote is eligible, but not obliged to accept election.
 - b) Disqualified from election are the county governor, the assistant county governor, and any person who in the municipality or the county concerned is chief executive or the latter's deputy, is secretary to the municipal council or to the county council, is head

of a branch of the administration, is responsible for the accounts of the municipality or the county, or conducts the audit for the municipality or the county. Nevertheless the managers of isolated activities are not disqualified from election. In municipalities and counties with a parliamentary form of government any employee of the secretariat to the executive board who has had authority delegated from the executive board is also disqualified from election.

- c) Entitled to claim exemption from election is any person who has reached the age of 65 before the commencement of the electoral term or any person who has served as a member of the body concerned for the past four years. Any person who is a member of a party that is registered in pursuance of section 17 of the Representation of the People Act may refuse election on the basis of a list proposal that has not been put forward by that party.
2. Any person who has lost the right to vote or who conducts audits for the municipal or county authority concerned, is also disqualified from election to popularly elected bodies other than those mentioned in subsection 1.
 3. Any person who is responsible for the accounts of any such municipal or county undertaking or for any such establishment for the joint discharge of municipal or county authority functions as mentioned in section 27 of this Act is disqualified from election to the board of the said undertaking or of the establishment for the joint discharge of local authority functions. Any person conducting the audit for any such establishment for the joint discharge of municipal or county authority functions as mentioned in section 27 of this Act may not be elected to the board of the said establishment.
 4. Any candidate who would otherwise have been disqualified from election by virtue of his or her appointment is nevertheless eligible if he or she has relinquished such appointment when the body commences its functions.

Amended by Acts Nos. 8 of 10 Jan. 1997 (commencement 1 March 1997), 18 of 16 April 1999 (commencement 1 July 1999 pursuant to Resolution No. 388 of 16 April 1999), 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999), 57 of 28 June 2002 (commencement 1 Sep. 2002 pursuant to Resolution No. 646 of 28 June 2002), 4 of 10 Jan. 2003 (commencement 1 Feb. 2003 pursuant to Resolution No. 3 of 10 Jan. 2003).

§ 15. Relinquishment of office. Suspension

1. Any person who loses the right of election to a popularly elected body during his or her term of office retires finally therefrom. If loss of eligibility is due to registered interruption of residence in the municipality or county for a period not exceeding two years, the person concerned relinquishes office for the period for which such interruption of residence lasts.
2. The municipal council and the county council may on application exempt for a shorter period or for the remainder of the electoral term any person who is unable to discharge the duties of office without disproportionate difficulty or strain.
3. If a charge is brought or an indictment is preferred against a popularly elected representative for such a criminal offence as is mentioned in Chapters 11, 24, 25, 26, 33 or 40 of the Criminal Justice Act, and according to the charge or the indictment the offence relates to the discharge of office or service for the municipal or county authority, the municipal council or the county council may itself pass a resolution to suspend the person concerned from office until the case has been finally decided.

Amended by Act No. 8 of 10 Jan. 1997 (commencement 1 March 1997).

§ 16. *Promotion and new elections*

1. If members are unable to attend a meeting of a popularly elected body, the alternates are summoned as far as possible in the numerical order in which they were elected. If the members were elected at a proportionally representative election, the alternates are summoned from the group in which there is absence.
2. If members of the municipal council or the county council, the board of aldermen or the county board of aldermen retire finally or are permanently unable to attend, alternates from the group concerned move up in their place in the numerical order in which they were elected if the body was elected at a proportionally representative election. If a municipal council was elected by majority ballot, alternates move up in the numerical order in which they were elected. If it turns out that this procedure leads to the fact that one sex will be represented by fewer than 40 per cent of the members of the board of aldermen or the county board of aldermen, the alternate from the under-represented sex shall step in in so far as this is possible.
3. If a member of another popularly elected body than the municipal council and the county council, the board of aldermen and the county board of aldermen retires finally, a new member is elected even if an alternate has been elected. If the body was elected at a proportionally representative election, the vacancy shall be filled from the same group as that to which the retiring member belonged. If it turns out that this procedure leads to the fact that one sex will be represented by fewer than 40 per cent of the members of the body, a new member shall be elected from the under-represented sex.
4. If the chairman of a popularly elected body retires finally from that body, a new chairman shall be elected.
5. If the number of alternates or of a group's alternates for the board of aldermen, county board of aldermen or any other popularly elected body elected by the municipal council or the county council has become insufficient, the municipal council or the county council may itself elect one or more permanent or temporary alternates. If the body has been elected by means of a proportionally representative election, the by-election shall be from the group that has an insufficient number of alternates. If it turns out that this procedure leads to the fact that one sex will be represented by fewer than 40 per cent of the alternates for the body or the group's alternates, a new alternate shall in so far as this is possible be elected from the under-represented sex. The power to conduct by-elections to any other body than the board of aldermen or the county board of aldermen may be delegated to the board of aldermen or to the county board of aldermen.

Amended by Acts Nos. 8 of 10 Jan. 1997 (commencement 1 March 1997), 18 of 16 April 1999 (commencement 1 July 1999 pursuant to Resolution No. 388 of 16 April 1999).

§ 17. *Constitutive meeting etc. of the municipal council and the county council*

1. As soon as the final allocation of votes has been settled, a constitutive meeting of the newly elected municipal council and county council is called. The meeting is called by the serving chairman of the municipal council or the chairman of the county council with at least 14 days' notice and is held by the end of the month of October. There is a quorum when no fewer than 2/3 of the members are present.
2. At the constitutive meeting are elected the board of aldermen or the county board of aldermen, the chairman of the municipal council or the chairman of the county council,

and the vice-chairman, for the new term of office. At the meeting members of municipal or county boards and the chairmen thereof should also be elected, unless it has been left to the board concerned itself to conduct this election.

3. The municipal council and the county council, the board of aldermen and the county board of aldermen commence their functions from the constitutive meeting. The chairman of the municipal council, the chairman of the county council, the vice-chairman and other popularly elected bodies commence their functions from the time of their election.
4. For boards that are not elected at the constitutive meeting, the sitting members continue to discharge their functions until new elections are conducted.

The newly elected municipal council or county council itself passes resolutions on the budget for the next year.

Chapter 3.

PARLIAMENTARY LOCAL GOVERNMENT

§ 18. Introduction and termination of parliamentary local government

1. The municipal council or the county council may itself resolve to introduce parliamentary local government pursuant to the provisions of the present Chapter of this Act. Such a resolution must be passed with the support of no fewer than half the members of the municipal council or of the county council.
2. Any motion for the introduction of parliamentary local government must have been put forward and voted on in the municipal council or the county council no later than 31 December in the penultimate year of its term of office. There is no requirement that the motion should be supported by a majority. The introduction of parliamentary local government may be resolved no earlier than at the constitutive meeting of the newly elected municipal council or county council. The form of local government must have been resolved and implemented when the second year of the new term of office commences.
3. The municipal council or the county council may itself resolve to return to the ordinary form of local government subject to the rules provided in the present section of this Act. Such a resolution must be passed with the support of no fewer than half the members of the municipal council or of the county council.

Amended by Acts Nos. 8 of 10 Jan. 1997 (commencement 1 March 1997), 18 of 16 April 1999 (commencement 1 July 1999 pursuant to Resolution No. 388 of 16 April 1999).

§ 19. Municipal executive board. County executive board

1. The municipal council and the county council shall themselves create a municipal executive board or a county executive board as the highest administrative body for the management of the municipality or of the county.
2. Where a municipal executive board or county executive board is introduced, the system with a chief executive is discontinued.

3. In the furtherance of parliamentary local government the municipal council or the county council itself elects an executive board at the constitutive meeting after elections to the municipal council or to the county council. Where the municipal council or the county council has itself resolved that the sitting executive board shall relinquish office or has been informed that the executive board will relinquish office, the election of a new executive board shall be conducted no later than the next meeting. The executive board takes office as soon as it has been elected.
4. A proposal for the executive board shall contain the same number of names as are wanted on the executive board and shall specify who shall be the chairman and vice-chairman of the executive board. Either, one of the proposals must be voted for, or a blank vote must be cast. The proposal that receives most votes is elected. If there are more than two proposals, a proposal must nevertheless have the support of the majority of the votes cast in order to be elected. If none of the proposals receives such support, there shall be a new ballot in respect of the two proposals that received most votes. The proposal that receives most votes at this ballot is elected.
5. A proposal that the executive board shall relinquish office must be put forward at a meeting. The proposal shall be dealt with at the next meeting unless two thirds of those present at the meeting demand an immediate vote. Notice from the executive board of relinquishment of office shall be given at a meeting.
6. Where a member of the executive board relinquishes office in accordance with a resolution or his or her own wish, a new member shall be elected on the basis of a proposal from the executive board. If the chairman relinquishes office, a new executive board shall be elected.
7. Any person elected to membership of the municipal executive board or the county executive board relinquishes any other municipal or county office during his or her term of office. The municipal council or the county council may elect substitute members for other offices than that of member of the municipal council or of the county council for the period for which the person concerned is a member of the municipal executive board or the county executive board.

Amended by Act No. 18 of 16 April 1999 (commencement 1 July 1999 pursuant to Resolution No. 388 of 16 April 1999).

§ 20. Responsibilities and powers of the municipal executive board and the county executive board

1. The municipal executive board and the county executive board are the highest administrative bodies for overall municipal or county management, with the exceptions that follow from this Act. The municipal council and the county council may themselves lay down that there shall be a possibility of giving individual members of the board managerial responsibility on behalf of the board for parts of the management of the municipality or the county.
2. The municipal executive board and the county executive board shall ensure that those items of business that are placed before popularly elected bodies have been properly elucidated, and that the resolutions that have been passed are implemented. The municipal executive board and the county executive board shall ensure that the administration is conducted in conformity with statutes, regulations and superordinate instructions, and that it is the object of satisfactory inspection.

3. The municipal council and the county council may themselves empower the board to make decisions in all matters unless otherwise provided by statute. The board may empower individual members to make decisions in individual matters or in types of business which do not involve questions of principle in those cases in which such members have been given managerial responsibility pursuant to subsection 1 of this section, unless otherwise resolved by the municipal council or the county council.
4. The municipal council and the county council may themselves empower the executive board to establish and to appoint boards for the executive board's management for separate parts of the municipal and county activity. The executive board itself lays down the articles for such boards and may empower the board to make decisions in individual matters or in types of business that do not involve questions of principle. A board may be reorganised or abolished during the electoral term, and a new appointment may be made of the whole board or of individual members. A member of a board may relinquish office if he or she wishes to do so.
5. The members of the municipal executive board and of the county executive board shall attend the meetings of the municipal council or of the county council. The chairman of the executive board has the right to attend meetings of other municipal or county bodies, in person or represented by one of the other members of the executive board. The right of attendance pursuant to the preceding sentence of this subsection does not apply to meetings of the control committee or meetings of the municipal council's or county council's own bodies when these are transacting business relating to the municipal council's, the county council's or the body's own internal organisation. If the members of the executive board have managerial responsibility, the right to attend and to speak applies to the member of the executive board who has the business of the body concerned under his or her area of responsibility, and to the chairman of the executive board.

Amended by Act No. 18 of 16 April 1999 (commencement 1 July 1999 pursuant to Resolution No. 388 of 16 April 1999), Act No. 113 of 12 Dec. 2003 (commencement 1 July 2004 pursuant to Resolution No. 915 of 18 June 2004).

§ 21. Assistance with office work and elucidation of business for groups in municipal councils and county councils

Groups of municipal councillors or county councillors who are not in the municipal executive board or the county executive board shall be ensured any necessary assistance with office work and elucidation of business.

Chapter 4.

THE ADMINISTRATION OF LOCAL AUTHORITIES

§ 22. Chief executive

1. In every local authority a chief executive shall be appointed.
2. The municipal council and the county council themselves appoint the chief executive.

§ 23. The functions and powers of the chief executive

1. The chief executive is the highest administrative officer for the overall management of the municipal or county authority, with the exceptions that follow from statute and within the framework laid down by the municipal council or the county council.
2. The chief executive shall ensure that those items of business that are placed before popularly elected bodies have been properly elucidated, and that resolutions are implemented. The chief executive shall ensure that the administration is conducted in conformity with statutes, regulations and superordinate instructions, and that it is the object of satisfactory inspection.
3. The chief executive has the right to be present and speak, in person or represented by one of his or her subordinates, at meetings of all popularly elected municipal or county bodies with the exception of the control committee.
4. Popularly elected municipal and county municipal bodies may empower the chief executive to make decisions in individual matters or in types of business which do not involve questions of principle, unless otherwise resolved by the municipal council or the county council.

Amended by Act No. 113 of 12 Dec. 2003 (commencement 1 July 2004 pursuant to Resolution No. 915 of 18 June 2004).

§ 24. Local government posts

1. The municipal council and the county council may empower the board of aldermen or the county board of aldermen, the municipal executive board or the county executive board, a committee, a board or the chief executive to create and to discontinue posts and to make decisions in personnel matters.
2. In all municipal and county authorities a person with expertise in accountancy shall be appointed with professional responsibility for the accounts.
3. The municipal council and county council may themselves decide that appointments to senior administrative posts shall be made for a limited term. Any such limited term shall not be shorter than six years.
4. The municipal council and the county council may create or join a pension scheme for local government employees. The King may by regulations lay down further provisions relating to such pension schemes.

Amended by Acts Nos. 18 of 16 April 1999 (commencement 1 July 1999 pursuant to Resolution No. 388 of 16 April 1999), 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999), 45 of 20 June 2003 (commencement 1 July 2003 pursuant to Resolution No. 712 of 20 June 2003).

§ 25. Jointly constituted committees – management committees

1. In all municipal and county authorities one or more jointly constituted committees – management committees – shall be created to transact business concerning the relations between the local authority as employer and the employees. Any such committee as may be created in pursuance of the first sentence of this sub-section may be replaced by other arrangements if such arrangements are supported by no fewer than three quarters of the employees.
2. The management committee is to be composed of representatives of the local authority and of the employees. The representatives of the employees are to be elected by and from among the employees for a term of two years at a time. The majority of the committee

shall consist of representatives of the local authority. The municipal council and the county council themselves elect the representatives of the municipal or county authority and the chairman and vice-chairman of the committee from among the latter.

3. For the representatives of the employees the normal eligibility rules apply except for the residence requirement.
4. Otherwise the same provisions apply as in the case of other standing committees.

Amended by Act No. 8 of 10 Jan. 1997 (commencement 1 March 1997).

§ 26. Right of the employees' representatives to be present at meetings of boards

1. Representatives of the employees of the local authority have the right to be present and to speak at meetings of boards where the latter are transacting business concerning the relationship between the local authority as employer and the employees. Nevertheless this right does not apply in relation to the board of any municipal or county undertaking pursuant to Chapter 11 of this Act if the employees are represented on the board.
2. Representatives of the employees do not have the right to take part in the transaction of business concerning the employer's preparation for negotiations with employees, industrial disputes, legal disputes with employees' trade unions or notice of termination of collective agreements.
3. Representatives of the employees do not have the right to attend meetings of the board of aldermen or of the county board of aldermen, of the control committee or of any body that hears administrative appeals in pursuance of the second paragraph of section 28 of the Public Administration Act. Nevertheless representatives of the employees in the audit department have the right to be present and to speak at meetings of the control committee when it is transacting any business that concerns the relationship between the local authority as employer and the employees of the audit department.
4. The municipal council and the county council themselves lay down further guidelines for the employees' right to be present at meetings.

Amended by Acts Nos. 8 of 10 Jan. 1997 (commencement 1 March 1997), 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999).

Chapter 5.

JOINT DISCHARGE OF LOCAL AUTHORITY FUNCTIONS

§ 27. Joint discharge of local authority functions

1. Two or more municipal authorities, two or more county authorities, or one or more municipal authorities and one or more county authorities, may create a separate board for the discharge of joint functions. The municipal council and the county council themselves pass resolutions concerning the creation of any such board. Such a board may be empowered by the municipal council or the county council itself to make decisions concerning the running and the organisation of the activity.

The King may issue an order for the creation of any such board as is mentioned in the first paragraph of this subsection.

2. The Articles of the joint board shall contain provisions concerning:

- a. the constitution of the board and the manner in which it is to be appointed,
 - b. the area of activity of the board,
 - c. the extent to which the constituent authorities shall put money into the activity,
 - d. the extent to which the board has the power to borrow or in any other manner bind the constituents financially,
 - e. withdrawal from or dissolution of the joint discharge of functions.
3. The individual municipal or county authority may in any case on giving one year's notice in writing terminate its participation in the joint discharge of functions and demand to be released therefrom. The redemption sum is to be set as the net worth of its part on the date of expiry of the period of notice but no higher than the value of the money the municipal or county authority concerned has put in.

Notice of termination of an agreement concerning a joint board may be brought before the Ministry. The Ministry may issue an order that the joint discharge of functions shall continue for a specified period of time or until further notice, if the interests of society or consideration for the co-operating local authorities so indicate.

Amended by Acts Nos. 8 of 10 Jan. 1997 (commencement 1 March 1997), 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999), 114 of 12 Dec. 2003.

§ 28. Transfer of power to make collective agreements

The municipal council and the county council may themselves give an association of municipal and county authorities the power to enter into and to give notice of termination of a collective agreement and to give or to receive collective notice of termination of employment or work on behalf of the municipal or county authority.

Chapter 6. RULES OF PROCEDURE IN POPULARLY ELECTED BODIES

§ 29. The area of application of these provisions

1. The provisions of this Chapter apply to municipal councils, county councils, boards of aldermen, county boards of aldermen, standing committees, municipal district committees, municipal executive boards and county executive boards as well as to municipal or county boards created in pursuance of other Acts.
2. These provisions also apply to control committees unless otherwise provided by section 77 of this Act.
3. These provisions also apply to other popularly elected bodies in so far as the municipal council, the county council or the appointing body does not decide otherwise. Exceptions may nevertheless be made from the provisions of sections 36 to 38 of this Act.
4. These provisions do not apply to local authority undertakings cf. Chapter 11 of this Act. The provisions of sections 36 to 38 of this Act nevertheless apply.
5. These provisions do not apply to any activity established in pursuance of the Local Authority Partnerships Act.

Amended by Acts No. 18 of 16 April 1999 (commencement 1 July 1999 pursuant to Resolution No. 388 of 16 April 1999), No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 October

1999), No. 45 of 20 June 2003 (commencement 1 July 2003 pursuant to Resolution No. 712 of 20 June 2003), No. 113 of 12 Dec. 2003 (commencement 1 July 2004 pursuant to Resolution No. 915 of 18 June 2004).

§ 30. *The principle of meeting*

1. Popularly elected bodies pass their resolutions at meetings.
2. Where an item of business shall be decided by another body than the municipal council or the county council, the chairman of the body may decide that the matter is to be considered at a distance meeting or by written transaction. Nevertheless this may only be done where it is essential to have the matter decided before the next meeting and either there is not time to summon an extraordinary meeting or the matter is not so important that this must be deemed necessary.

The Ministry may issue further provisions concerning entitlement to pass resolutions on the basis of a distance meeting or written transaction.

3. The minutes of the proceedings of all popularly elected bodies shall be recorded in a minute book. The municipal council and the county council themselves lay down further rules governing the keeping of the minutes.

§ 31. *Open or closed meetings*

1. Meetings of popularly elected bodies shall be open to the public unless otherwise provided under a statutory obligation to observe confidentiality or by resolution in pursuance of this section.
2. The person presiding over the meeting shall on request give leave for the proceedings of open meetings to be recorded on magnetic tape, video tape, etc. or to be broadcast by radio or television provided this does not have a disturbing effect on the conduct of the meeting.
3. A popularly elected body may resolve to transact business in camera where consideration for the protection of personal privacy or other weighty private or public interests so indicates. Any debate thereon is conducted in camera if the person presiding over the meeting so demands or the body concerned so resolves. Personnel matters shall always be transacted in camera.
4. The municipal council and the county council themselves may by reason of consideration for the protection of personal privacy issue provisions that the meetings of other bodies or of other bodies when transacting certain types of business shall be conducted in camera.
5. The municipal council and the county council may themselves also otherwise, where necessary by reason of a precisely specified aspect of the individual matter or type of business, decide that the meetings of other bodies, or of other bodies when transacting certain types of business, shall be conducted in camera, where such body shall not itself pass a resolution on the matter.
6. Meetings of the municipal executive board and of the county executive board are conducted in camera unless otherwise decided by the board and provided that the present section is no obstacle thereto.

Amended by Act No. 8 of 10 Jan. 1997 (commencement 1 March 1997).

§ 32. *Scheduling of meetings. Agenda. Summons. Presiding over meetings*

1. Meetings of popularly elected bodies shall be held at the times that have been resolved by the body itself, the municipal council or the county council and otherwise at such time as the chairman of the body finds it necessary or no fewer than 1/3 of the members so demand.
2. The chairman of a popularly elected body sets out the agenda for the individual meeting. A summons to the meeting shall be sent to the members of the body with an appropriate period of notice and it shall contain a specification of the business to be transacted.
3. The agenda for the meeting and any other documents which are not excluded from public inspection shall be available to the public. Any meeting that is to be open to the public shall be announced in an appropriate manner.
4. Meetings of popularly elected bodies are presided over by the chairman or vice-chairman of the body. If both are unable to attend, a person is elected by majority ballot to preside over the meeting.

§ 33. *Quorum*

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

§ 34. *Amendments to the agenda. Questions*

1. A popularly elected body may by simple majority resolve to postpone the substantive transaction of an item of business on the agenda sent out. It may also pass resolutions in any matter that is not specified on the agenda, unless the person presiding over the meeting or 1/3 of the members attending object thereto.
3. Every member may put questions to the person presiding over the meeting, also concerning matters that are not on the agenda.

§ 35. *Voting*

1. Resolutions are passed with a simple majority of the votes cast unless otherwise provided by this Act. In the case of an equality of votes in other matters than elections the person presiding over the meeting has a casting vote.
2. When the finance plan or the annual budget is being considered by the municipal council or by the county council, at the final ballot the proposal for the finance plan or the 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 thereat are voted upon as alternatives.
3. The election of the chairman and vice-chairman of popularly elected bodies is conducted as an election by majority ballot.
4. The election of members of boards is conducted as a proportionally representative election where at least one member so demands and otherwise as an election by majority ballot.
5. In the case of elections and appointments each individual member may demand a written ballot.

§ 36. *Proportionally representative elections – list proposals*

For proportionally representative elections this procedure is to be followed:

1. Elections are conducted on the basis of lists of proposals for candidates submitted in advance. Parties or groupings 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 who shall be elected. Candidates from a party or a grouping may only be included on the party's or the grouping's list proposal, or on a joint list issued by more than one party or grouping.
2. If four or more members shall be elected, each sex shall be represented by at least 40% of the proposed candidates on the individual list. If two or three members shall be elected, both sexes shall be represented. For elections to any popularly elected body consisting by law only of members of the municipal council or of the county council, and for elections to the working committees of any popularly elected body, these rules shall be followed as far as possible.
3. The list proposal shall be signed by at least one member of the party or the grouping that submits the proposal. The person who signs must be a member of the electing body. If a candidate who may claim exemption from election is proposed, consent shall have been obtained from the person concerned.

Amended by Act No. 18 of 16 April 1999 (commencement 1 July 1999 pursuant to Resolution No. 388 of 16 April 1999).

§ 37. *Proportionally representative elections – final allocation of votes*

1. 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 two or more lists have the same quotient, the seat goes to the one of these lists that has received the greatest number of votes. If there is an equality of votes, the election is decided by casting lots.
2. When it has been decided how many seats a list will receive, a new count of the votes is taken for the candidates on the list. The procedure is as follows:

First a count is taken of those names that are listed as No. 1 on the ballot papers. The candidate who receives most votes at this count is elected. If the list shall have more than one seat, those names that are listed as No. 2 on the ballot papers are thereafter counted. The candidate who receives most votes at the two counts, not counting the person already elected, is elected. The procedure continues in this manner until all the seats a list shall receive have been filled, with the modifications that follow from the provision of subsection 3 of this section. If two or more candidates have received an equality of votes, the one who is placed first in the order appearing on the list is deemed to be elected.

At the count no account is taken of any other names than those appearing on the election list submitted.
3. If it is shown that in accordance with this procedure one sex will be represented by less than 40% of the members from a list that receives four or more members, or will not be represented from a list that receives 2 or three members, the candidates of the under-represented sex move up as far as possible on the list to the extent that is necessary to achieve such balance.

4. Each list shall as far as possible be allocated as many alternates as it receives members, with the addition of two. Seats are distributed among the alternates on the basis of continuing the count in the same manner as prescribed for the members in subsections 2 and 3 above.

§ 38. *Elections by majority ballot. Appointments*

1. In respect of elections by majority ballot and appointments any person who has received more than half the votes cast is elected or appointed, with the modifications that follow from subsection 2 of this section. If no persons or an insufficient number receive such a majority, a new ballot is conducted. At this ballot the person or persons receiving most votes will be elected or appointed. In the case of an equality of votes appointments are decided by the person presiding over the meeting and elections are decided by casting lots.
2. If four or more members shall be elected, each sex shall be represented by at least 40% of those who are elected. If two or three members shall be elected, both sexes shall be represented. If it is shown at the count pursuant to subsection 1 of this section that in accordance with this procedure one sex will receive fewer members than the number that follows from these rules, the candidates of the under-represented sex move up as far as possible to the extent that is necessary to achieve such balance. For elections to any publicly elected body consisting by law only of members of the municipal council or of the county council, and for elections to the working committee of any publicly elected body, these rules shall be followed as far as possible.
3. Alternates are to be elected in the same manner as laid down for members under subsections 1 and 2 of this section.

Amended by Acts Nos. 8 of 10 Jan. 1997 (commencement 1 March 1997), 18 of 16 April 1999 (commencement 1 July 1999 pursuant to Resolution No. 388 of 16 April 1999).

§ 39. *Regulations. Records*

1. The municipal council and the county council themselves may by regulations make standing orders for popularly elected bodies.
2. The Ministry may issue regulations concerning the treatment, preservation, arrangement and care of the records of local authorities.

Chapter 6A.
INHABITANT INITIATIVE

Added by Act No. 46 of 20 June 2003 (commencement 1 July 2003 pursuant to Resolution No. 715 of 20 June 2003).

§ 39a. *Inhabitant initiative*

1. The municipal council or the county council has itself a duty to consider and make a decision on a proposal concerning the activity of the municipal authority or of the county

- authority, if no fewer than 2 per cent of the inhabitants, or alternatively 300 in the municipal authority area or 500 in the county, are behind the proposal.
2. The municipal council or the county council shall make a decision on the proposal no later than 6 months after it has been put forward. Those 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.
 3. A proposal with the same content may not be put forward more than once in the course of the same electoral term. Nor may a proposal be submitted again until four years have elapsed since the proposal was last submitted.
 4. Where a proposal that has been put forward in pursuance of the provisions of this section is voted down in the municipal council or the county council, there is no right of appeal unless this follows from other provisions.

Added by Act No. 46 of 20 June 2003 (commencement 1 July 2003 pursuant to Resolution No. 715 of 20 June 2003).

Chapter 7.

RIGHTS AND DUTIES OF POPULARLY ELECTED REPRESENTATIVES

§ 40. Right and duty to attend meetings of local authority bodies. Disability. Right of access to documents

1. Any person who is elected to membership of a popularly elected municipal or county body has a duty to attend the meetings of that body unless there is a valid ground for absence.

Any employed person is entitled to be released from work to the extent that this is necessary by reason of a duty to attend meetings of popularly elected municipal or county bodies. Any employed person is also entitled to leave of absence from his or her work for four years or for the rest of the electoral term for the purpose of serving in any full-time or part-time local government office.
2. Members who are present at a meeting of a popularly elected municipal or county body when a matter is put to the vote have a duty to vote. In respect of elections and appointments there is a right to cast a blank vote.
3. With respect to disability the provisions of Chapter II of the Public Administration Act apply together with the following special provisions:
 - a) Disability is not incurred in respect of elections to public office or where remuneration etc. for any such office is being determined.
 - b) Local authority employees who in this capacity have assisted in the preparation of the basis for a decision, or in an earlier decision in the same matter shall always be deemed to be disabled when the matter is being considered by a popularly elected body. The first sentence of section 40(3)(b) of this Act does not apply to the consideration of the annual budget, the finance plan, the Municipal Development Plan and the County Development Plan.
 - c) Where any administrative appeal is being heard pursuant to the second paragraph of section 28 of the Public Administration Act, employees or popularly elected representatives who were involved in the making of the decision against which an administrative appeal is being brought, or who assisted in the preparation of the basis for the

decision, are disabled in respect of the hearing of the case by the administrative appeal body and in respect of the preparation of the case for the administrative appeal body.

If a superior employee is disabled in a matter, an immediately subordinate employee may not participate in the hearing of the case by the administrative appeal body or in the preparation of the case for the administrative appeal body.

4. The body concerned may exempt a member from participation in the transaction of any item of business where he or she so requests before the business is taken up for consideration and weighty personal grounds so indicate.
5. The municipal council and the county council shall themselves lay down regulations governing the elected representatives' right of access to relevant documents and to information concerning any matter that is under consideration.

Amended by Acts Nos. 8 of 10 Jan. 1997 (commencement 1 March 1997), 18 of 16 April 1999 (commencement 1 July 1999 pursuant to Resolution No. 388 of 16 April 1999).

§ 41. Covering of expenses and financial loss

1. Any person holding local government office is entitled to allowances for transport, subsistence and overnight accommodation with respect to travel in connection with the office in accordance with further rules laid down by the municipal council or county council itself.
2. Compensation is paid for loss of income and expenses incurred as a result of the holding of local government office up to a prescribed sum per day, laid down by the municipal council or the county council itself. Different rates shall be laid down for specified and unspecified losses.

§ 42. Remuneration for work

Any person holding local government office is entitled to remuneration for his or her work in accordance with further rules laid down by the municipal council or county council itself.

§ 43. Pension scheme

The municipal council and the county council may themselves resolve to create or join a pension scheme for elected representatives in the municipal or county authority.

The King may by regulations lay down further provisions relating to such pension schemes.

Chapter 8.

FINANCE PLAN, ANNUAL BUDGET, ANNUAL ACCOUNTS AND REPORTING

Heading amended by Act No. 71 of 7 July 2000 (commencement 1 Jan. 2001 pursuant to Resolution No. 730 of 7 July 2000).

§ 44. Finance plan

1. The municipal council and the county council shall once a year adopt a revolving finance plan.
2. The finance plan shall cover no fewer than the next four budget years.
3. The finance plan shall cover the whole of the activity of the municipal or county authority and provide a realistic survey of probable receipts, anticipated expenditure and priority tasks in the period covered by the plan. The plan shall be set out in such manner that its contents may be clearly ascertained.
4. For each year that the finance plan covers, the finance plan shall specify cover for the expenditure and tasks that have been listed, cf. section 46 subsection 6 of this Act.
5. Plans that cover delimited parts of the activity of the municipal or county authority shall be integrated into the financial planning, and the application of funds shall be incorporated into the plan.
6. The municipal council and county council themselves adopt the finance plan and any amendments thereto. The resolution is passed on the basis of a recommendation from the board of aldermen or the county board of aldermen. In the case of a parliamentary form of local government, the executive board shall make such recommendation as mentioned.
7. The finance plan recommendation shall, with such proposals for resolutions as have been put forward, be made available for public inspection at least fourteen days before it is considered by the municipal council or the county council. Nevertheless this does not apply in the case of any recommendation concerning amendments to the finance plan.
8. The finance plan and any amendments thereto are to be sent to the Ministry for information.

Amended by Acts Nos. 8 of 10 Jan. 1997 (commencement 1 March 1997), 18 of 16 April 1999 (commencement 1 July 1999 pursuant to Resolution No. 388 of 16 April 1999), 71 of 7 July 2000 (commencement 1 Jan. 2001 pursuant to Resolution No. 730 of 7 July 2000).

§ 45. Annual budget

1. The municipal council and the county council shall by the end of the year adopt a budget for the coming calendar year.
2. The municipal council and the county council themselves adopt the annual budget and any amendments thereto. The resolution is passed on the basis of a recommendation from the board of aldermen or the county board of aldermen. In the case of a parliamentary form of local government, the executive board shall make such recommendation as mentioned.
3. The annual budget recommendation shall, with all such proposals for resolutions as have been put forward, be made available for public inspection at least fourteen days before it is considered by the municipal council or the county council. Nevertheless this does not apply in the case of any recommendation concerning amendments to the annual budget.
4. A copy of the resolution on the annual budget passed by the municipal council and the county council, together with copies of the working documents of the municipal board of aldermen and the county board of aldermen, are to be sent to the Ministry for information.

Amended by Acts Nos. 62 of 2 Aug. 1996 (commencement 15 Sep. 1996), 8 of 10 Jan. 1997 (commencement 1 March 1997), 18 of 16 April 1999 (commencement 1 July 1999 pursuant to Resolution No. 388 of 16 April 1999), 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999), 71 of 7 July 2000 (commencement 1 Jan. 2001 pursuant to Resolution No. 730 of 7 July 2000).

§ 46. Content of the annual budget

1. The annual budget is a binding plan for the municipal or county authority's funds and the application thereof in the budget year. Nevertheless reductions may be made in earmarked grants for income belonging to the recipient. The requirement for authority in the budget at the time of payment does not apply to payments that the local authority is legally obliged to make.
2. The annual budget shall cover the whole of the activity of the local authority.
3. The annual budget shall be realistic. It shall be determined on the basis of the income and expenditure that the local authority may expect in the budget year.
4. The annual budget shall be set out in such manner that its contents may be clearly ascertained. The municipal council's or the county council's priorities, as well as the targets and premises on which the annual budget is based, shall be clearly apparent.
5. The annual budget shall be divided into an operating part and an investment part.
6. The budget shall provide for an operating surplus that is at least adequate to cover interest, repayments and necessary allocations.
7. In the annual budget funds may be set aside for use in later budget years.
8. The Ministry may issue further rules concerning the annual budget and the annual budget recommendation. These rules may contain requirements concerning surveys of the income and expenditure in respect of the overall activity of the local authority.

Amended by Acts Nos. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999), 71 of 7 July 2000 (commencement 1 Jan. 2001 pursuant to Resolution No. 730 of 7 July 2000).

§ 47. Binding effect of the annual budget

1. The grants made by the municipal council or the county council in the annual budget are binding on subordinate bodies. This does not apply to payments that the local authority is legally obliged to make, cf. the third sentence of section 46 subsection 1 of this Act.
2. If any changes occur in the course of the budget year that may have significant consequences for the income and expenditure on which the annual budget is based, the chief executive, the chairman of the municipal executive board or the chairman of the county executive board shall notify the municipal council or the county council.
3. If the municipal council or the county council receives notification in pursuance of subsection 2 of this section, it shall make any necessary amendments to the budget. The same applies when it is in any other way made aware of matters that may mean significant failure in income or significant increase in expenditure in relation to the budget.

Amended by Act No. 71 of 7 July 2000 (commencement 1 Jan. 2001 pursuant to Resolution No. 730 of 7 July 2000).

§ 48. Annual accounts and annual statement

1. Municipal and county authorities shall for each calendar year produce annual accounts and an annual statement of accounts.
2. The annual accounts shall cover all financial means at disposal for the year and the application of the said means. All known income and expenditure in the year shall be included in the annual accounts for the year concerned, whether or not it has been paid

when the accounts are made up. The annual accounts shall be kept in accordance with good local government accounting practice.

3. The municipal council and the county council themselves adopt the annual accounts. The resolution is passed on the basis of a recommendation from the board of aldermen or the county board of aldermen. In the case of a parliamentary form of local government, the executive board shall submit such recommendation as mentioned. The resolution must specify how any surplus in the accounts is to be applied or how any deficit is to be covered.
4. A deficit in the annual accounts that cannot be covered in the budget in the year in which the accounts are presented shall be carried over for cover in the budget for the following year. Under special circumstances the municipal council and the county council may, after having made the necessary amendments to the finance plan, resolve that the deficit shall be covered over a further period not exceeding two years.
5. In the annual report, information shall be provided concerning matters of importance for judging the municipal or county authority's financial situation and the result of its activity that are not apparent from the annual accounts, as well as other matters of particular significance for the municipal or county authority.
6. The Ministry may issue regulations with further rules relating to the annual accounts, the annual statement of accounts and the keeping of accounts.

Amended by Acts Nos. 71 of 7 July 2000 (commencement 1 Jan. 2001 pursuant to Resolution No. 730 of 7 July 2000), 21 of 14 June 2002 (commencement 1 Jan. 2003 pursuant to Resolution No. 535 of 14 June 2002).

§ 49. Reporting by local authorities

1. Local authorities have a duty to provide the Ministry with information at any time concerning use of resources and provision of services for use in national information systems.
2. The Ministry may issue regulations with further rules relating to how such information shall be produced, set up and submitted.

Amended by Act No. 71 of 7 July 2000 (commencement 1 Jan. 2001 pursuant to Resolution No. 730 of 7 July 2000).

§ 49a. Local government reporting register

1. The local government reporting register shall provide an electronic survey of all the reporting duties incumbent upon municipal and county authorities as a consequence of statute or decision made by state bodies. The register shall be a means to co-ordination and simplification. The register shall be continuously updated and contain a complete survey of and information about such reporting duties as are mentioned in the first sentence of this paragraph.
2. The Ministry is responsible for the establishment, organisation and operation of the local government reporting register. The local government reporting register shall be headed by a registrar who is to be appointed by the Ministry. The Ministry may issue further provisions as to the register's localisation and content and as to the keeping of the register.
3. Before new reporting duties for municipal and county authorities are put into effect or existing reporting duties are amended, the Ministry or any service coming under it shall

send notification to the local government reporting register. The duty to report may not be implemented until it has been published in the local government reporting register.

4. The Ministry may issue further rules as to what information shall accompany the notification provided by paragraph 3 of this section and as to the register's treatment thereof. The Ministry may also issue further rules as to exceptions from the prohibition on implementation in the second sentence of paragraph 3 of this section.

Added by Act No. 96 of 17 June 2005 (commencement 1 Jan. 2006 pursuant to Resolution No. 629 of 17 June 2005).

Chapter 9.

LIABILITY FOR DEBTS ETC.

Heading amended by Act No. 71 of 7 July 2000 (commencement 1 Jan. 2001 pursuant to Resolution No. 730 of 7 July 2000).

§ 50. Raising loans

1. Any local authority may raise a loan for the purpose of financing investments in buildings, installations and permanent operating equipment for its own use. A loan may be raised only in respect of measures that have been included in the annual budget.
2. Any local authority may raise a loan for the purpose of converting an older debt relating to a loan. Further a loan may be raised where this is essential to discharge liability for a guarantee.
3. Any local authority may raise a loan to ensure full cover in terms of insurance practice in any pension scheme for its own employees where the municipality or the county municipality wishes to move the pension scheme from its own pension fund to an insurance company. The entitlement to raise a loan applies only if the lack of cover arose prior to 1 January 1998 and the loan must be deemed to be essential.
4. Any local authority may raise a loan to ensure cover in terms of insurance practice in any pension scheme administered by an insurance company, where this is a requirement for becoming a party to the agreement on the transfer of accumulated superannuation rights, laid down in pursuance of section 46 of Act No. 26 of 28 July 1949 (Public Service Pension Fund Act). The entitlement to raise a loan applies only where the loan must be deemed to be essential.
5. Any local authority may borrow by way of overdraft or enter into an agreement on the right to overdraw.
6. Any local authority may borrow for the purpose of lending. A loan may be raised for the purpose of advancing money where an agreement for full repayment has been made. The condition is that recipients are not engaged in business activity and that the funds shall be used for investments.
7. The money owing on loans raised by local authorities shall be repaid in the following manner:
 - a. The total sum owing on loans raised by local authorities in pursuance of subsections 1 and 2 of this section shall be repaid in equal annual repayments. The remaining period of the municipal or county authority's overall debt may not exceed the estimated life of the municipal or county authority's equipment at the end of the last calendar year.

- b. The local authority's overdraft or use of a right to overdraw pursuant to subsection 5 of this section shall have been paid off no later than when the annual accounts are determined. Where the municipal council or the county council resolves that an accounting deficit shall be distributed, the period of the overdraft may be extended for a term corresponding to the maximum period for recovery of the deficit.
- c. Any repayments received on sums lent or any repayments of money advanced pursuant to subsection 6 of this section shall be applied in full for the reduction or satisfaction of debt incurred as a result of borrowing by the local authority.
8. Any local authority may raise a loan for its own loans fund. For the use of loans funds the provisions of this section apply correspondingly.
9. A copy of a resolution to raise a loan is to be sent to the Ministry for information. Local government borrowing shall be subject to ministerial approval in such cases as are mentioned in section 59a¹ of this Act.

Amended by Acts Nos. 8 of 10 Jan. 1997 (commencement 1 March 1997), 49 of 26 June 1998, 71 of 7 July (commencement 1 Jan. 2001 pursuant to Resolution No. 730 of 7 July 2000).

¹ Now § 60.

§ 51. Guarantees and provision of security for the financial liabilities of others

1. Any resolution to provide security or any other financial guarantee for activity that is conducted by others than the local authority itself shall be approved by the Ministry.
2. No security or other financial guarantee may be provided in respect of business activity that is conducted by others than the local authority itself.
3. The Ministry may by regulations lay down further rules concerning guarantees. The regulations may also provide that guarantees that are of minor extent do not need state approval.
4. A local authority may not legally validly mortgage its property as security for the financial liabilities of others.

Amended by Act No. 71 of 7 July 2000 (commencement 1 Jan. 2001 pursuant to Resolution No. 730 of 7 July 2000).

§ 52. Financial administration

1. The municipal council and the county council shall themselves issue rules for the financial administration of the municipal or county authority.
2. The Ministry may by regulations issue further rules concerning disposition of funds that entails financial risk.
3. Local authorities shall administer their funds in such manner that a satisfactory return may be achieved, without the entailment of any significant financial risk, and with consideration for the fact that the local authority shall have funds to meet its payment obligations when such payments fall due.

Amended by Acts Nos. 20 of 8 Jan. 1993, 71 of 7 July 2000 (commencement 1 Jan. 2001 pursuant to Resolution No. 730 of 7 July 2000).

§ 53. Set-off

1. Any person who owes any tax, levy or fee to a local authority may not settle this by means of set-off.
2. A bank may never set off its claim on a local authority against the latter's deposit in the bank. This is nevertheless no obstacle to entry into agreements on consolidated accounts with joint disposition of capital.

Amended by Act No. 71 of 7 July 2000 (commencement 1 Jan. 2001 pursuant to Resolution No. 730 of 7 July 2000).

§ 54. Assignment of claims for taxes and levies

A local authority's claims for taxes and levies may not be assigned. The Ministry may grant dispensation from this prohibition.

§ 55. Levy of execution and attachment. Insolvency and debt settlement proceedings

1. The assets of a local authority may not be the object of execution or attachment.
2. A local authority may not be proceeded against for insolvency or institute debt settlement proceedings pursuant to Act No. 58 of 8 June 1984 (Insolvency Act).

Amended by Act No. 71 of 7 July 2000 (commencement 1 Jan. 2001 pursuant to Resolution No. 730 of 7 July 2000).

§ 56. Resolution to stop payments. Appointment of supervisory board

1. Where on account of difficulties that are not purely transitory a local 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 immediately be sent to the Ministry.
2. If no resolution is passed in pursuance of subsection 1 of this section, the Ministry may order stoppage of payments for the local authority concerned.
3. The Ministry sends out notification of stoppage of payments for publication in the press and in the Norwegian Gazette. If the local authority has established any municipal or county undertaking pursuant to Chapter 11 of this Act, the Ministry shall also send notification of stoppage of payments to the National Register of Business Enterprises.
4. Where a resolution has been passed to stop payments, the Ministry shall immediately appoint a supervisory board for the local authority. The supervisory board shall consist of the chairman of the municipal council or the chairman of the county council, the chief executive and three or more members appointed by the Ministry. If the local authority has a parliamentary form of government, it is represented instead by the chairman of the municipal council or the chairman of the county council and the chairman of the municipal executive board or of the county executive board.

Amended by Acts Nos. 8 of 10 Jan. 1997 (commencement 1 March 1997), 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999).

§ 57. Payments after a resolution to stop payments

1. 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 claims shall be covered preferentially:
 - a. Expenses that are necessary for the municipal or county authority to fulfil obligations imposed upon it by statute in respect of individual persons.
 - b. Claims for pay, pensions and other remuneration to employees of the local authority or to elected representatives holding full-time office, contributions which it is incumbent upon the municipal or county authority to make to the pay of other employees, and such claims as are mentioned in sections 9(3) and 9(4) of the Creditors Security Act.
 - c. Expenses which must be covered to avoid the danger of considerable financial loss or significant harmful effects.

Interest, the costs of recovery and the costs of the case have the same right as the principal claim.
2. The supervisory board decides in what order payments shall be made in respect of such claims as are mentioned in subsection 1 (a) to (c) of this section , and of the covering of other claims if there are funds available.

§ 58. *Preparation of revised annual budget and finance plan*

1. After the municipal council or the county council has expressed its views, the supervisory board adopts a new finance plan and a new annual budget for the municipal or county authority.
2. The finance plan and the annual budget are sent to the Ministry for approval. The Ministry may make amendments to the finance plan and the annual budget, if this is deemed to be necessary by reason of consideration for the future financial situation of the local authority.
3. The stoppage of payments ceases and the supervisory board is dissolved at such time as the Ministry has approved the finance plan and the annual budget.
4. The Ministry shall approve amendments to the finance plan in the current year and resolutions on the finance plan and amendments thereto for the next three subsequent years. During the same period of time the Ministry may also make amendments to the finance plan and the annual budget, where this is deemed to be necessary by reason of consideration for the future financial situation of the local authority.

Chapter 10
STATE SUPERVISION AND CONTROL

Heading amended by Act No. 113 of 12 Dec. 2003 (commencement 1 July 2004 pursuant to Resolution No. 915 of 18 June 2004).

§ 59. *Review of legality, duty to provide information etc.*

1. Three or more members of the municipal council or the county council may together bring a decision made by a popularly elected body or the municipal or county

administration before the Ministry for review of the legality of the decision. This does not apply to any decision relating to appointment, dismissal with due notice or summary dismissal.

2. An application for review of legality is presented to the body that has made the decision in question. If this body upholds the decision, the case is sent to the Ministry.
3. The body that has made the decision, a municipal or county body superior to this body, or the Ministry may decide that the decision shall not be implemented until the appeal on legality has been decided.
4. The review of legality shall determine whether the decision
 - a. is lawful in terms of content,
 - b. was made by a person or persons empowered to make such a decision, and
 - c. came into being in a lawful manner.

The Ministry shall annul the decision if such errors have been made that it is invalid.

5. The Ministry may on its own initiative take a decision up for review of legality.
6. The Ministry may demand that the local authority shall provide information relating to individual matters or aspects of the activity of the local authority. The Ministry has the right of inspection of all municipal and county authority working documents.
7. The Ministry lays down further rules governing the time limits for applications for review of legality.

Amended by Act No. 8 of 10 Jan. 1997 (commencement 1 March 1997).

§ 60. State review and approval of financial obligations

1. Any resolution to raise a loan or any resolution to enter into a long-term contract for the renting of buildings, installations and permanent operating equipment that may cause the local authority to incur expenses extending beyond the next four budget years is not valid until it has been approved by the Ministry, if:
 - a. the municipal council or the county council has resolved to adopt an annual budget where the budget does not provide cover for all expenses,
 - b. the municipal council or the county council has resolved to adopt a finance plan where the finance plan does not provide cover for all expenses,
 - c. the municipal council or the county council has in pursuance of the second sentence of section 48(4) of this Act resolved that an accounting deficit shall be distributed over the following budget year after the accounts have been presented, or
 - d. the municipal or county authority does not follow the adopted plan for the covering of any deficit.
2. If any of the conditions in subsection 1 (a), (b), (c) or (d) of this section is satisfied, the Ministry shall review the legality of the budget resolution passed by the municipal council or the county council.
3. The Ministry shall establish a register of all municipal and county authorities that are subject to approval. Any person has the right to familiarise himself with what is registered in the register, and to obtain a transcript thereof.
4. Until the individual local authority is registered in the register, the Ministry may not implement approval in pursuance of subsection 1 of this section. In relation to rules of law that let it be decisive for the legal position of a third party whether the latter was aware of or was not aware of a matter, what is registered in pursuance of this provision is deemed to have come to the knowledge of a third party.

5. Local authorities that enter into contracts that require approval must inform their co-contractors that they have been made subject to conditional review and approval.

Added by Act No. 71 of 7 July 2000 (commencement 1 Jan. 2001 pursuant to Resolution No. 730 of 7 July 2000), amended by Act No. 113 of 12 Dec. 2003 (commencement 1 July 2004 pursuant to Resolution No. 915 of 18 June 2004), section number amended from § 59a, at the same time the previous § 60 was repealed.

Chapter 11

LOCAL AUTHORITY UNDERTAKINGS

Heading added by Act No. 102 of 22 Dec. 1999. – See Act No. 5 of 29 Jan. 1999, VII.

§ 61. The scope of the present Chapter

This Chapter applies to any local authority undertaking. Any local authority undertaking is a part of the municipal or county authority that the municipal council or the county council has decided shall be organised as a municipal or county undertaking.

Added by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999), see VII thereof.

§ 62. Establishment of a local authority undertaking

1. The municipal council or the county council shall itself pass a resolution on the establishment of a municipal or county undertaking, and as part of such proceedings it shall elect the board and lay down the memorandum of association for the undertaking. Local authority undertakings shall be registered in the National Register of Business Enterprises.
2. In municipal and county authorities with a parliamentary form of government the municipal council or the county council itself may lay down that the executive board shall elect the board. Where such a decision has been made, the executive board takes the place of the municipal council or of the county council in relation to the remaining provisions of this Chapter, with the exception of section 63.

Added by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999), see VII thereof, amended by Act No. 18 of 16 April 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1099 of 22 Oct. 1999).

§ 63. Memorandum of association

1. The undertaking shall have a memorandum of association which as a minimum requirement shall specify:
 - a. the business name of the undertaking
 - b. the purpose of the undertaking
 - c. the municipality in which the undertaking is to have its business office
 - d. the number of members of the board
 - e. any other matter which subject to statute law requires provision in the memorandum of association.

2. Any amendment of the memorandum of association is resolved by the municipal council or the county council itself.

Added by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999, see VII thereof, amended by Act No. 91 of 5 Sep. 2003 (commencement 1 March 2004 pursuant to Resolution No. 1118 of 5 Sep. 2003).

§ 64. Management of a local authority undertaking

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

Added by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999), see VII thereof.

§ 65. Composition of the board

1. The undertaking shall have a board of no fewer than three members.
2. The general manager may not be a member of the board.
3. The board is elected by the municipal council or the county council itself. A majority of the employees in the undertaking may demand that up to one fifth of the members of the board with alternates are to be elected among the employees. The employees' representatives do not have the right to take part in the transaction of any business that concerns the employer's preparation for negotiations with employees, industrial disputes, legal disputes with employees' trade unions or notice of termination of a collective agreement. If the undertaking has the power to make an individual decision or to lay down regulations, cf. section 2 of the Public Administration Act, the employees' representatives on the board shall not take part in the transaction of such business. The King may issue supplementary regulations concerning the employees' right to representation on the board, which apply if in the memorandum of association the employees have been given representation on the board. Such regulations may contain rules relating to the right to vote and eligibility, the method of election, the decision of disputes concerning the election, and the relinquishment of office as a member of the board.
4. The board shall have a chairman and a vice-chairman who are elected by the municipal council or the county municipal council itself.

Added by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999) see VII thereof.

§ 66. Term of office for the members of the board

1. Members of the board are elected for a term of office of two years unless otherwise provided in the memorandum of association. The term of office may not be set at any term exceeding four years.
2. Where special circumstances are present, a member of the board has the right to retire before his or her term of office is over.
3. The municipal council or the county council itself may at any time conduct a new election for those members who are elected by the municipal council or the county council.

Added by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct.1999) see VII thereof.

§ 67. *Powers of the board*

1. The undertaking is managed by the board, which is empowered to make decisions in all matters concerning the undertaking and its activity. The board sees to it that the activity is conducted in accordance with the purpose of the undertaking, the memorandum of association, the finance plan and annual budget of the municipal or county authority, and other resolutions or guidelines laid down by the municipal council or county council.
2. The powers of the board in pursuance of the first subsection 1 of this section also include the power to establish and to discontinue posts and to make decisions in personnel matters, in so far as nothing else is provided in the memorandum of association.
3. The board shall monitor the general manager's management of the activity.

Added by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct.1999) see VII thereof.

§ 68. *Meetings of the board*

1. The chairman of the board sees to it that the board holds meetings as often as is required. Any member of the board and the general manager may demand that the board be summoned. If the board in the individual instance does not decide otherwise, the general manager has the right to attend and to speak at meetings of the board.
2. The chairman of the board summons meetings of the board. The summons shall be sent out with a reasonable period of notice, and as far as possible it shall contain an agenda.
3. The board has a quorum when no fewer than half the members are present.
4. Meetings of the board are presided over by the chairman or, in his or her absence, by the vice-chairman. If neither of these is present, a person is elected to preside over the meeting.
5. Meetings of the board are held in camera unless otherwise provided by the municipal council or the county council in the memorandum of association. If meetings of the board are open, a meeting shall nevertheless be conducted in camera if the board is to deal with information that is subject to a statutory duty of confidence. Subsection 3 of section 31 of this Act applies correspondingly.
6. Unless otherwise provided in the memorandum of association, 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 one third of the total number of board members for the motion to be deemed to be adopted. In the event of an equality of votes, the person presiding over the meeting has a casting vote.
7. In the case of appointments the person appointed is the one who has received more than half of the votes cast. If no person receives such a majority, a new ballot is conducted. At the second ballot the person appointed is the one who receives most votes. In the event of an equality of votes, the person presiding over the meeting has a casting vote. Each individual member of the board may demand a written ballot.
8. The board may, provided all members are present, pass a resolution on a matter that is not on the agenda. A resolution to take up such an item of business for transaction must be passed unanimously. Before the board transacts the item of business, the chief

executive shall be notified. Where a parliamentary form of local government has been introduced, the executive board shall be notified.

9. There shall be kept minutes of the meeting. The minutes shall be signed by all members of the board who are present at the meeting. Any member of the board or the general manager who disagrees with the decision of the board may demand to have his or her views recorded in the minutes.

Added by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct.1999) see VII thereof, amended by Act No. 18 of 16 April 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1099 of 22 Oct. 1999).

§ 69. Resolutions that must be approved by the municipal council or the county council

In the memorandum of association it may be laid down that the board's resolutions must in specified cases be approved by the municipal council or the county council itself in order to be binding on the municipal or county authority. Such a provision in the memorandum of association may only be invoked in relation to a third party where the provision in the memorandum of association has been registered in the National Register of Business Enterprises or the third party was aware, or ought to have been aware, of the provision in the memorandum of association. If the contract has been fulfilled wholly or partly, what has been performed or, where this is not possible, the economic value of what has been performed, shall be restored.

Added by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct.1999) see VII thereof.

§ 70. General manager

The undertaking shall have a general manager. The general manager is appointed by the board. The power of appointment may in the memorandum of association be given to the municipal council or the municipal board of aldermen, or as the case may be, to the county council or the county board of aldermen. In municipal and county authorities with a parliamentary form of government the power of appointment may be given to the municipal executive board or the county executive board.

Added by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct.1999) see VII thereof, amended by Act No. 18 of 16 April 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1099 of 22 Oct. 1999).

§ 71. Powers of the general manager

1. 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 follow the guidelines and orders that the board issues.
2. The general manager shall ensure that the keeping of accounts by the undertaking is in conformity with statute and regulations and that the administration of its property is carried out in a satisfactory manner.
3. The day-to-day management does not include matters which in view of the circumstances of the undertaking are of an unusual kind or of great importance. Such matters can only be decided by the general manager where 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 to the municipal or county authority as a whole. The board shall in such cases be informed of the matter as soon as possible.

Added by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct.1999) see VII thereof.

§ 72. *Relationship to the administration otherwise of the municipal or county authority*

1. Within the board's area of authority the chief executive does not have the power of instruction or reversal in respect of the general manager of the undertaking. The chief executive may nevertheless instruct the management of the undertaking to the effect that the implementation of a matter shall be postponed until the municipal council or the county council has dealt with the matter.
2. Before the board passes a resolution on a matter that shall be dealt with by the municipal council or the county council, the chief executive shall have been given the opportunity to express an opinion on the matter. The chief executive's statement shall be put before the board when it deals with the matter.
3. In local authorities in which a parliamentary form of government has been introduced, the powers of the chief executive in pursuance of the second sentence of subsection 1 of this section are vested in the chairman of the municipal executive board or of the county executive board. If the members of the board have managerial responsibility, the powers are vested in the person who has managerial responsibility for the undertaking.

Added by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct.1999) see VII thereof.

§ 73. *Representation*

1. The board represents the undertaking in respect of outside parties. It makes contracts on behalf of the municipal or county authority within the purposes of the undertaking.
2. The board may give a member of the board or the general manager the power to act as its agent subject to subsection 1 of this section. The memorandum of association may limit the board's power pursuant to the first sentence of this subsection and also itself contain provisions concerning such authority to act as an agent as is there mentioned.
3. The general manager represents the undertaking in respect of outside parties in matters that fall within the powers of the general manager subject to section 71 of this Act.

Added by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct.1999) see VII thereof.

§ 74. *Representation by an agent acting ultra vires*

If any person acting as an agent of the undertaking in respect of others has on behalf of the undertaking acted ultra vires, the said act is not binding on the municipal or county authority if the co-contractor realised or should have realised that the act was ultra vires, and it would therefore be contrary to the duty to act fairly to enforce the dispositive act.

Added by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct.1999) see VII thereof.

§ 75. *Regulations concerning annual accounts in pursuance of the Accounts Act*

The Ministry may by regulations impose on individual undertakings or types of undertaking a duty to keep accounts pursuant to the Accounts Act in addition to, or in lieu of, keeping them in accordance with local government principles, and it may hereunder issue such provisions as are necessary to bring their keeping of accounts into line with the provisions of that Act concerning the financial management of undertakings.

Added by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct.1999) see VII thereof.

Chapter 12

INTERNAL SUPERVISION AND CONTROL. AUDIT.

Heading added by Act No. 113 of 12 Dec. 2003 (commencement 1 July 2004 pursuant to Resolution No. 915 of 18 June 2004)

§ 76. *Supervisory responsibility of the municipal council and the county council*

The municipal council and the county council exercise the highest level of supervision of municipal and county authority management and may demand to have any matter placed before them for information or decision. They may reverse any decision made by other popularly elected bodies or the administration to the same extent that these would be able to reverse the decision themselves. The municipal council and the county council shall ensure that the municipal and county authority accounts are audited in a satisfactory manner.

Added by Act No. 113 of 12 Dec. 2003 (commencement 1 July 2004 pursuant to Resolution 915 of 18 June 2004)

§77. *Control committee*

1. The municipal council and the county council themselves elect a control committee to be responsible for the continuous supervision of municipal and county authority management on their behalf. The committee shall have no fewer than three members. The municipal council and the county council themselves elect members and alternates to the committee, and among the members the chairman and vice-chairman. [At least one of the members of the committee shall be elected from among the members of the municipal council or of the county council.]¹ The chairman of the committee has the right to attend and speak at meetings of the municipal council or the county council when the committee's business is being transacted.
2. Disqualified from election are the chairman of the municipal council, the chairman of the county council, the vice-chairman, members and alternates of the board of aldermen and the county board of aldermen, members and alternates of a municipal or county board with the power to make decisions, members of the municipal executive board or the county executive board and employees of the municipal or county authority.
3. The municipal council and the county council may at any time conduct new elections of the committee's members.

4. The control committee shall ensure that the accounts of the municipal or county authority are audited in a satisfactory manner. The control committee shall further ensure that there is monitoring of whether the financial management is being conducted in conformity with current provisions and resolutions, and that systematic assessments of economy, productivity, goal achievement and effects are carried out in the light of the resolutions and presuppositions of the municipal council or the county council (administration audit).
5. The control committee shall ensure that there is monitoring of the administration of the local authority's interests in partnerships etc.
6. The control committee shall report the results of its work to the municipal council or county council. Before a matter is reported to the municipal council or county council it shall have been put before the chief executive for comment.
7. The control committee may, notwithstanding any duty of secrecy, demand from the local authority any piece of information, report or document whatsoever and undertake such investigations as it finds necessary in order to carry out its tasks.
8. The meetings of the control committee are held in camera unless otherwise decided by the committee itself. Where the meeting is open, the doors shall nevertheless be closed if the committee is to deal with information that is subject to a statutory duty of secrecy. The final sentence of section 31(3) of this Act applies correspondingly.
9. The local authority's auditor has the right to attend and speak at meetings of the control committee.
10. The municipal council and the county council shall ensure the provision of secretarial assistance for the control committee.
11. The Ministry may issue regulations with further provisions concerning the control committee's tasks and procedure.

Added by Act No. 113 of 12 Dec. 2003 (commencement 1 July 2004 pursuant to Resolution No. 915 of 18 June 2004; nevertheless the third sentence of section 77(1) shall not come into effect until 1 Nov. 2007).

1 This sentence shall not come into effect until 1 Nov. 2007.

§ 78. *Audit*

1. The audit of local authority activity shall be conducted in accordance with good local government auditing practice.
2. The auditing work shall include the accounting audit and the administration audit.
3. The municipal council or the county council itself decides whether the local authority shall appoint its own auditors, participate in local authority co-operation on auditing, or enter into a contract with another auditor. The resolution is passed on the basis of a report from the control committee.
4. The municipal council or the county council itself chooses its auditor. The resolution is passed on the basis of a report from the control committee.
5. The auditor of the local authority shall report the results of his audit and scrutiny to the control committee.
6. The auditor may, notwithstanding any duty of secrecy, demand from the local authority any piece of information, report or document whatsoever and undertake such investigations as the auditor finds necessary in order to carry out his tasks.
7. Unless it follows from the tasks of the audit under this Act or regulations issued in pursuance of sub-section 8 of this section, or the person the information concerns has agreed that the duty of secrecy shall not apply, an auditor has a duty to preserve secrecy

in respect of matters of which he becomes aware in performing his work for the local authority.

8. The Ministry may issue regulations concerning audit.

Added by Act No. 113 of 12 Dec. 2003 (commencement 1 July 2004 pursuant to Resolution No. 915 of 18 June 2004).

§ 79. *Independence of the auditor*

Any person who conducts an audit for a local authority may not take on auditing or scrutinising commissions for the local authority if the auditor or those who are closest to him have such a connection with audited or scrutinised activity, the authority's employees or office-holders that this may weaken the auditor's independence and objectivity. The same applies if there are special circumstances that are conducive to weakening the auditor's independence and objectivity in the performance of his tasks. Appointment as an auditor in the local authority, or in a scheme of local authority co-operation, does not in itself entail that the auditor lacks the necessary independence and objectivity.

As those who are closest are reckoned

- a) spouse and a person with whom the person concerned lives together in a marriage-like relationship
- b) relatives in directly ascending or descending line and siblings, and their spouses or persons with whom they live together in a marriage-like relationship and
- c) relatives in directly ascending or descending line and siblings of any such person as is mentioned under paragraph (a) above.

The Ministry may issue regulations with further provisions concerning the independence of the auditor.

Added by Act No. 113 of 12 Dec. 2003 (commencement 1 July 2004 pursuant to Resolution No. 915 of 18 June 2004).

§ 80. *Inspection of partnerships*

In local authority partnerships under Act No. 6 of 29 January 1999 and in private companies limited by shares where one local authority alone or together with other local authorities owns all the shares, and in wholly owned daughter companies of such companies, the local authority's control committee and auditor have the right to demand such information as is found necessary for their inspection, both from the general manager of the undertaking as well as from the board and chosen auditor of the undertaking. To the extent that this is found necessary, the control committee and the auditor of the local authority may themselves conduct investigations in the undertaking.

The municipal council or the county council may lay down rules concerning the control committee's and the auditor's scrutiny of the management of the local authority's interests in the undertaking and in so doing lay down what documents etc. shall be sent to the local authority's control committee and auditor.

The control committee and the local authority's auditor shall be notified of and have the right to attend the general meeting of the undertaking as well as meetings of the committee of shareholders and corresponding bodies.

Added by Act No. 113 of 12 Dec. 2003 (commencement 1 July 2004 pursuant to Resolution No. 915 of 18 June 2004).

Chapter 13

COMMENCEMENT. TRANSITIONAL PROVISIONS. REPEALS AND AMENDMENTS IN RESPECT OF OTHER ACTS

Heading amended by Acts Nos. 5 of 29 January 1999 (earlier Chapter 11, commencement 1 January 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999), see VII thereof, and 113 of 12 Dec. 2003 (earlier Chapter 12, commencement 1 July 2004 pursuant to Resolution No. 915 of 18 June 2004).

§ 81. Commencement. Transitional provisions

1. This Act comes into force from such date as the King decides. From the same date are repealed
 - Act No. 1 of 12 November 1954 concerning the government of rural and urban authorities
 - Act No. 1 of 16 June 1961 concerning county authorities
 - Act No. 85 of 21 June 1985 (Provisional Act concerning experimentation with special administration systems in local authorities).
2. Until the commencement of the new electoral term in the autumn of 1995 the following transitional provisions apply:
 -
3. ---
4. Otherwise the King may issue the provisions that are necessary, and to the extent that is necessary depart from provisions in the present Act.

Amended by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999), amended the section number from § 61, Act No. 113 of 12 Dec. 2003 (commencement 1 July 2004 pursuant to Resolution No. 915 of 18 June 2004), amended the section number from § 76, Act No. 4 of 7 Jan. 2005, amended the section number from § 82.

§ 82. Amendment of other Acts

From the date on which this Act comes into force the following amendments are made in other Acts: ---

Amended by Act No. 5 of 29 Jan. 1999 (commencement 1 Jan. 2000 pursuant to Resolution No. 1097 of 22 Oct. 1999), amended the section number from § 62, Act No. 113 of 12 Dec. 2003 (commencement 1 July 2004 pursuant to Resolution No. 915 of 18 June 2004), amended the section number from § 77. Act No. 4 of 7 Jan. 2005, amended the section number from § 83.