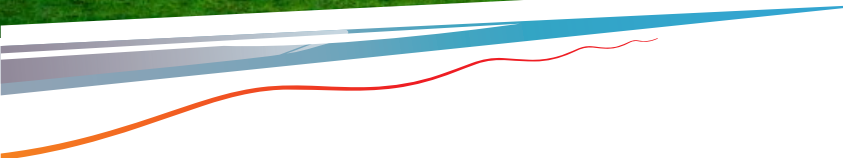




NORWEGIAN MINISTRY OF
LOCAL GOVERNMENT AND MODERNISATION

Information

Local Government in Norway



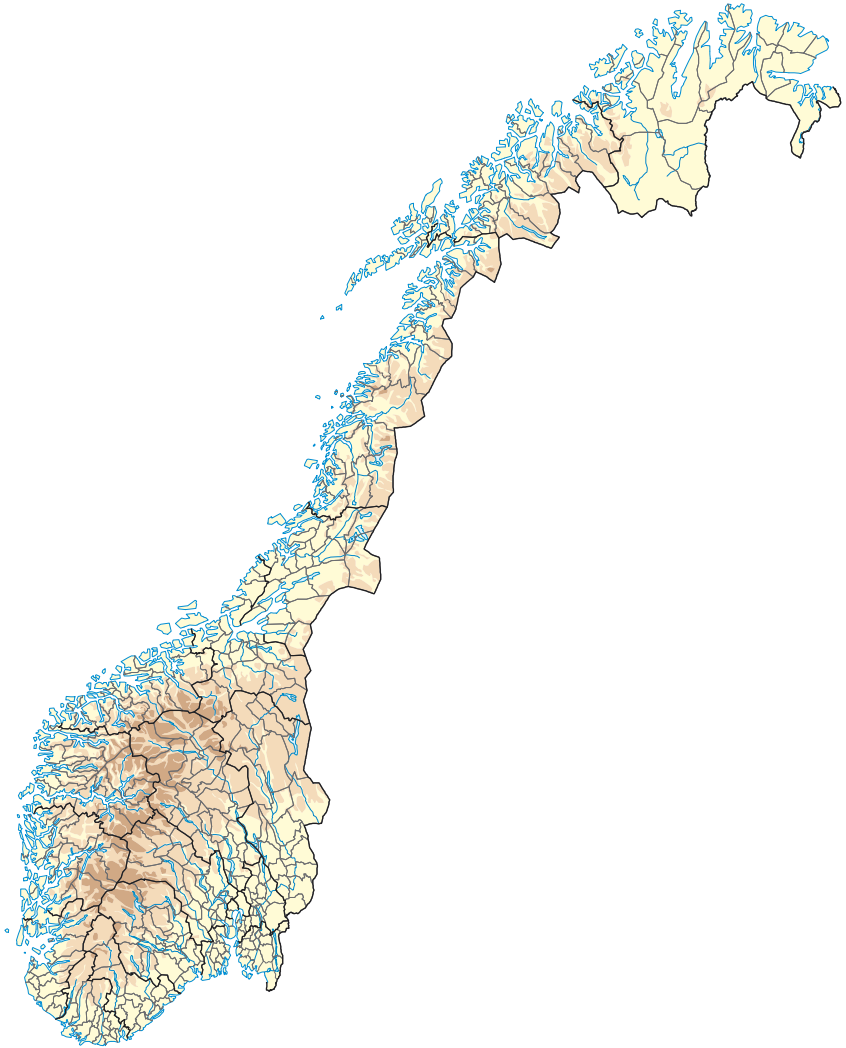


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Introduction

The political system in Norway is based on representative democracy with several political parties. Norway as well as the other Nordic countries has developed societies that are based on strong egalitarian values. Citizens tolerate high tax levels to pay for public welfare services such as healthcare, education, social services and elderly care. However, their public finances are among the healthiest in OECD with surpluses on the general government accounts.

Nordic Countries

- Representative democracy
- Egalitarian values
- Tolerate high level of taxes to pay for public services
- Offer high standards of services to citizens in all parts of the country
- High employment rate for men and women
- Local Government expenditure close to 20% of GDP

The national aim is to offer a high level of services with equal standards to citizens in all parts of the country. There has traditionally been broad political support to this in the Parliament, though there are variations between the political parties on how to achieve the aim.


The local government sector is strong and important in a national context. Some indicators illustrate this.

The local government sector in a national context (2012)

- Local government consumption amounts 13,9% of GDP in continental Norway
- Income in local government sector amounts 18% of GDP in continental Norway
- One in five of all employees in Norway work in the local government sector



Foto: Colourbox



1. Levels of government in Norway and the distribution of tasks and responsibilities

1.1 Introduction

Local democracy is strong, and the local government sector is a well-established institution in Norway. The Alderman Act of 1837 first defined local authorities' rights and responsibilities. Both at the municipal level and at the county level there are elections with popular representatives responsible to their constituents.

Norway has a two tier-system of local government: the municipalities and the county authorities. There are 428 municipalities and 19 county authorities. The capital, Oslo, is formally a municipality, but in addition has the same tasks as the county authorities. The municipalities and the county authorities have the same administrative status, whereas central government has the overriding authority and supervision of municipal and county municipal administration. The main representative of central government supervising local authorities is the County Governor.

Norway has approximately 5 million inhabitants. Both the municipalities and the county authorities vary significantly in size, topography and population. More than half of the municipalities have less than 5 000 inhabitants and 14 have more than 50 000 inhabitants. The largest municipality is Oslo with approximately 620 000 inhabitants and the smallest is Utsira with 209 inhabitants. Despite such differences, all municipalities are given most of the same rights and the same responsibilities.

Levels of government in Norway

- The central government – including central government agencies at the regional and local level.
- The county authorities (19).
- The municipalities (428).



Foto: Colourbox

The county authorities' responsibilities

- Upper secondary school
- Regional development
- County roads and public transport
- Regional planning
Business development
- Culture (museums, libraries, sports)
- Cultural heritage
- Environmental issues

Central government's responsibilities

- The National Insurance Scheme
- Specialised health services (hospitals)
- Higher education/universities, labour market, refugees and immigrants
- National road network, railways, agricultural issues, environmental issues
- Police, courts, prisons, armed forces, foreign policy
- Specialised social services

The municipalities' responsibilities

- Primary and lower secondary school
- Nurseries/kindergartens
- Primary healthcare
- Care for the elderly and disabled, social services
- Local planning, agricultural issues, environmental issues, local roads, harbours
- Water supply, sanitation and sewer
- Culture and business development

1.2 Reforms and principles

The distribution of responsibilities between the different levels of government in Norway is currently based on what is termed the generalist local authority system. This means that all municipalities and county authorities are required to fulfil the same functions. They all have the same responsibilities in the production of public services, legal safeguards, planning and local development, regardless of size.

One of the main principles of the reforms of the public sector the recent years is the delegation and decentralisation of responsibility and authority. Decentralisation of responsibilities and authority is a crucial step towards genuine local democracy and an efficient and user friendly public administration.

In autumn 2006 the then Government presented a White Paper concerning the distribution of responsibilities between the different levels of government. The result of that reform was transferring more tasks to the county authorities, in particular concerning public roads. The reform was implemented in January 2010.

Regardless of the reform Norway will continue to have a two-tier system of local government with municipalities and county authorities.

In 2012, the former Government presented a White Paper on the principles of the relationship between the state and the municipalities. This document establishes the

principle of financial and legal framework management of the municipalities. The principle that all municipalities, regardless of size, must handle the same tasks, is also established in the report.

The Government that was established after The parliamentary election in 2013 intends to bring up a new reform concerning the municipal sector in Norway. The aim of the reform is to establish larger municipalities which may be able to take responsibility for new duties and tasks. The necessary decisions concerning this reform are planned to be made before the next election to the Storting (autumn 2017).

2. Local Government Act

The Local Government Act (Act of 25 September 1992) determines the ground rules for the organisation of the municipalities' and county authorities' work and proceedings, relationship with supervisory state bodies, etc. On the whole the regulations are the same for municipalities and county authorities. The Local Government Act does not regulate which duties are to be carried out locally. These questions are covered by separate laws.

The Act gives municipalities and councils wide options when it comes to organizing the political and administrative structure.

Local Government Act contains rules concerning

- Local government bodies
- The administration of local authorities
- Cooperation between municipalities regarding local authority functions
- Rules of procedure in popularly elected bodies
- Rights and duties of popularly elected representatives
- Finance plan, annual budget, annual accounts and reporting, liability for debts etc.
- Supervision and control
- Local authority undertakings

3. Local elections

3.1 Introduction

Voters elect representatives to the municipal councils and county councils (according to the Representation of the People Act (Act No. 57 of 28 June 2002)). The Local Government Act specifies the minimum number of representatives to be elected. A municipality with a population under 5 000 is to have at least 11 members in its council – with a population from 5 000 to 10 000 at least 19 representatives are required. With a population from 10 000 to 50 000 at least 27 representatives are required. With a population from 50 000 to 100 000 at least 35 representatives are required. With a population above 100 000 at least 43 representatives are required.

An equivalent system determines the size of the county council. It is up to the municipal council and the county council to determine whether to increase the respective number of their representatives beyond the legal minimum. Quite often, they opt to do so.



3.2 The Representation of the People Act

Representation of the People Act contains rules concerning

- The right to vote and the registration in the voters' register
- Who are eligible to vote and who are not
- The list proposals
- Printing of ballots
- The voters' right to make changes on the ballots
- Advance voting
- Voting on polling day
- Counting of votes
- Appointing of representatives
- Appeals

The election period is four years. Elections to the municipal council and the county council are held midway through a four year Parliament (Stortinget) period. The Government selects the Election Day, always a Monday in September.

Norwegian citizens who reach the age of 18 no later than December 31 in the election year are eligible to vote in the municipal council and county council election, as well as in the Storting election. In the local elections, citizens who are not Norwegian are also eligible to vote if they have been registered at the Population Registry as resident in Norway for the last three years prior to the Election Day. Nationals of other Nordic countries who have been registered at the Population Registry no later than May 31 in the year of the election are also eligible to vote.

The elections are based on the principles of proportional representation and list system. Registered parties as well as other groups may put up list proposals. A list proposal must be filled out with a minimum of seven candidates, and may contain a maximum number of candidates corresponding to the number of representatives to be elected with no more than six additional names. At the municipal council elections a certain number of candidates at the top of the list may be given an increased share of the poll, corresponding to 25 per cent of the number of ballot papers cast for the list concerned.

At both municipal council elections and county council elections the voters may give candidates on the ballot personal votes. At municipal council elections the voters may also give personal votes to candidates on other electoral lists, by writing the name of those candidates on the ballot paper.

Persons who are eligible to vote and are resident in a given municipality on Election Day are generally obliged to serve if elected to the municipal council or the county council, if they are not disqualified or exempted.

The persons being disqualified from being elected are:

- a) the county governor and the assistant county governor
- b) any person who in the municipal or county authority in question is
 - chief executive or deputy,
 - head of a branch of the administration; this does not however apply to managers of isolated activities,
 - secretary to the municipal council or county council,
 - responsible for the accounts, or responsible for the audit

Among those who can seek exemption are persons who have served as a member of the municipal council or the county council during the last four years, or any person who will not be able to discharge the duties of office without disproportionate difficulty.

Internet voting pilots in 12 municipalities in 2013

Voters in 12 municipalities could vote using the Internet in uncontrolled environments during the Norwegian parliamentary election in 2013. More than 70 000 voters used the Internet for voting. It was optional to vote using the Internet, and the voter could also vote using a paper ballot at the polling station just like before. The Internet pilot is currently being evaluated.



Foto: Colourbox

3.3 Organisation and rules for work and proceedings

The Local Government Act introduces two systems of organizing the political and administrative structure of the municipalities: A “traditional” system, and a parliamentary government system.

The “traditional” system

The municipal council is the municipality’s supreme body, and the county council is the county’s supreme body. Both the municipal and the county council elects the executive committee consisting of at least five members, elected amongst the members of the council, and based on the principle of proportional political representation in the committee. The executive committee considers proposal for a four-year economic plan, fiscal budget and taxes. Other duties of the executive committee are decided by the municipal council.

The municipal council elects its chairman and county council elects its county council chairman.

The municipal council can create committees to deal with municipal matters, and can also grant decision-making powers to those committees.

The meetings in elected bodies are to be held open to the public. Nevertheless, individual issues may be discussed behind closed doors when, for instance, discretion is dictated by consideration for individual privacy. The members of both a municipal and a county body are obliged to attend its meetings. The law guarantees that participation in meetings is a valid reason for absence from work.

Both the municipalities and the counties are obliged to hire a chief executive who is to head the combined municipal and county administration. The chief executive has to ensure that the issues which are put to the elected bodies are properly prepared and analysed, and that resolutions are carried out. Popularly elected 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 or the county council.



Parliamentary local government

The municipal council or the county council may resolve to introduce parliamentary local government. 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. The introduction of parliamentary local government may be resolved no earlier than at the constitutive meeting of the newly elected municipal 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. When the parliamentary local government is furthered, the executive board shall be elected in the constitutive meeting after elections to the municipal or the county council. Where an executive board is introduced, the system with a chief executive is discontinued.

Both the municipal council and the county council shall create an executive board as the highest administrative body for the management of the municipality or the county. The municipal executive board is the highest administrative body for overall municipal management, and the county executive board is the same for the county's management. The municipal council may decide 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, and the county council may decide the same for the county.

Any person elected to membership of the municipal or county council executive board relinquishes any other municipal or county office during the term of office.

The board has to ensure that the issues which are put to the elected bodies are properly prepared and analysed, and that resolutions are carried out. Both the municipal and the county council may empower the board to make decisions in all matters unless otherwise provided by law. 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, if the members have been given managerial responsibility, unless otherwise decided by the municipal or county council.

A proposal in the municipal council or in the county council 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.

Where a member of the executive board resigns in accordance with resolution or his or her own wish, a new member shall be elected on the basis of a proposal from the executive board.

4. The County Governor

Although local government is large in Norway, central government/state administration is also represented at regional and local level by institutions with important functions.

The main representatives of central government in the counties are the County Governors. The County Governor is supposed to coordinate the activities of other central government bodies at the county level. According to the Local Government Act article 59 the County Governor also shall review the legality of the decisions made by any municipal body, either upon request from at least 3 members of the municipal council or ex officio.

The Governor approves of a few major economic decisions in the municipal council, such as raising loans and making guarantees (Local Government Act article 60). He also handles appeals from the public over a number of decisions taken by municipalities, based on sector legislation.

The County Governor's office supervises and advises local activities – with due respect to the political judgement of the local government.

In so doing the County Governor acts as a guardian of civic rights. The County Governor may look into local decisions regarding the rights of any individual in the fields of health and social care, education, building and planning, and may change the decision to the benefit of the individual (based on appeals).

5. Financing the local government sector

The municipalities and counties offer a vast range of services to their citizens and are the primary provider of welfare services in Norway.

Figure 1 and 2 shows the distribution of expenditure between the different sectors of local government for 2012. For municipalities care for the elderly and disabled, education and kindergartens accounts for the majority of expenditure, while education and public roads and transportation accounts for the majority of expenditure for the counties.

Figure 1: Distribution of expenditure 2012 – municipalities

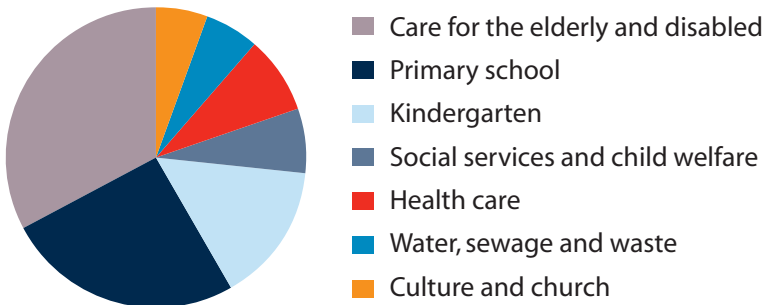
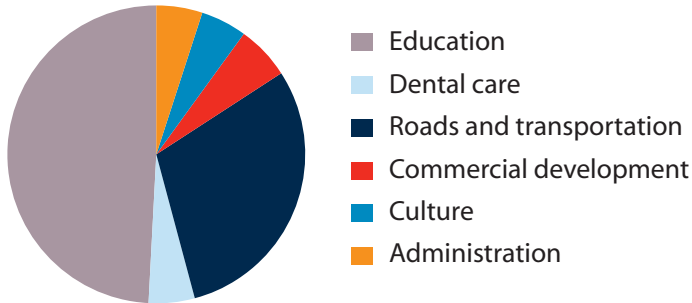
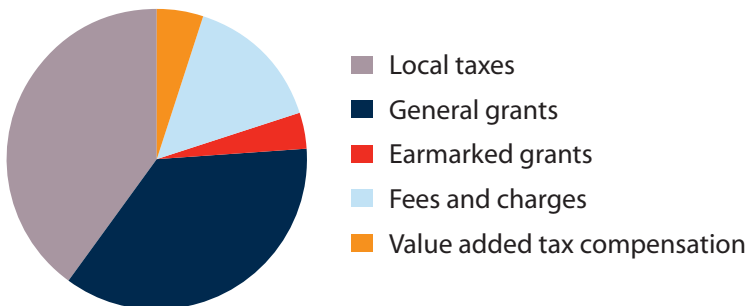


Figure 2: Distribution of expenditure 2012 – counties



The main sources of revenue for municipalities and counties are local taxes, general grants, earmarked grants, charges and fees.

Figure 3: Composition of revenues 2013 – municipalities and counties. NOK 400,7 Billions



Local taxes account for 40 per cent of total revenue in 2013, followed by general grants at 36 per cent, fees and charges at 15 and earmarked grants at 4 per cent.

Municipalities get the majority of their tax revenue from income taxes, but also have income from wealth tax, property tax and tax on natural resources.

The total level of income tax in Norway has been consistent since 1992 at 28 per cent. The municipal and county tax rates are set in order to achieve the desired amount of revenues from taxes for the local government sector.

The municipalities are the collectors of taxes for the state, counties and municipalities. In 2013 the tax level for income tax is 11,60 per cent for municipalities and 2,65 per cent for counties. The state income tax is 13,75.

The tax level is set by the Norwegian parliament every year as the maximum level of municipal income tax. The municipalities have the authorisation to lower the income tax rate for their municipality but since 1979 no municipality has made use of this opportunity.

Local government does not have the authorisation to give tax allowances as the fiscal legislation is a central government responsibility.

Municipalities have the possibility to collect property tax, and in 2010 340 out of 428 municipalities imposed property tax.



6. The General Grant Scheme

There are large differences between municipalities and between counties, in both the level of income from local taxes and in the level of expenditure needed. It is a national aim to offer citizens a high level of public services in all parts of the country. Therefore there is a redistribution of income between municipalities and between counties. This is achieved through the General Grant Scheme.

The main political goals of the General Grant and the General Grant Scheme are as follows:

To ensure both a fair distribution of income, as well as regional growth and development.

Greater fiscal and decision making autonomy for local authorities, and improved local democracy.

By giving local authorities autonomy to spend resources as they see fit, services will be adapted to local needs and priorities.

This reduces overall costs and increases the quality of the services provided.

The Grant Scheme gives the government a high level of expenditure control as both the General Grant and the tax level are set by the Norwegian parliament in the national budget.

Also it is important that the scheme is perceived as fair from the local authorities' perspective and that it is transparent.

The General Grant Scheme has both an equality dimension and a regional political dimension.

Both tax income and the General Grant are included in the General Grant Scheme.

Most of the General Grant is initially distributed as a per capita grant. To ensure that all municipalities have the means to provide sufficient services to their inhabitants it is necessary to redistribute the grant according to expenditure needs. Redistribution is achieved through the equalisation of expenditure mechanism.

The purpose of the equalisation of expenditure mechanism is to fully compensate involuntary costs related to:

- Population characteristics (i.e. demographic aspects and social characteristics)
- Population and population density. (This has a favourable effect for small and sparsely populated municipalities)

Tax income is paid by the inhabitants directly to the municipalities and counties, and the state has no authority to redistribute tax income directly. As the revenue from local taxes varies significantly between municipalities, redistribution is necessary to ensure an equivalent level of public services all over the country. Tax income for municipalities varies from 56 to 275 percent of the country average (2012). Tax income is redistributed indirectly, and is used to calculate an addition to or a subtraction from the General Grant.

The municipalities and counties also receive Rural Grants from the state. The Rural Grants are politically motivated and are meant to ensure a high quality of local government services in small and peripheral municipalities and to some extent ensure a high level of public employment in rural areas.

There are Grants for Small Municipalities with less than 3200 inhabitants, a per capita Grant for Municipalities in Northern Norway, and a Grant for Peripheral Municipalities in the South of Norway.

The four largest municipalities, Oslo, Bergen, Trondheim and Stavanger are given Urban Grants, as a compensation for urban challenges.

The ministry also distributes grants after discretionary assessments of the needs of local government. The Discretionary Grant is used in order to compensate local government for specific local and regional circumstances, which are not compensated by the General Grant Scheme.

Municipalities and counties can also apply for Discretionary Grants due to unexpected expenses for example as a result of flooding and other natural disasters.

The General Grant Scheme

It is a national aim to offer citizens a high level of public services with equal standards in all parts of the country and obtain political goals through:

- Redistribution of tax revenue
- Full compensation for involuntary costs related to population characteristics, population density etc.
- Rural and urban grants
- Discretionary grants

7. Supervision and control

In keeping with the independent responsibility of the municipalities, legislation emphasises the need for municipalities to establish routines for self-regulation. The municipal council is responsible for supervising the activities of the municipality. The municipal council has the right to demand reports and has a decisive word in all matters. It must also elect a special supervisory committee to oversee activities, and municipalities have to maintain stringent accounting systems.

Furthermore, municipalities are subject to rules involving state supervision and control. State authorities control the legality of the municipal councils' fiscal resolutions only if they are registered in ROBEK (register for municipalities with economical problems). On its own initiative, the state can check whether other municipal decisions are legal, i.e.; whether correct procedures have been followed, whether municipal bodies have kept within the bounds of their powers, and whether the content of resolutions conform to the letter of the law. Three or more members of a municipal council can demand that a municipal decision should be controlled by the state. However, state authorities cannot overrule a municipal resolution on political grounds.


The individual resident can also file complaints against municipal resolutions. The body that reviews such grievances is either a special state authority, the municipal council, or in some instances a special complaints committee appointed by the municipal council. Complaints about the councils' own decisions are to be heard by a state authority.

Supervision and control

- The municipal council is responsible for supervising the activities of the municipality
- Municipalities are subject to rules involving state supervision and control



Foto: Colourbox



8. Consultations between Central government and The Norwegian Association of Local and Regional Authorities

The Norwegian Association of Local and Regional Authorities (in Norwegian *Kommunesektorens organisasjon - KS*) is a national member's association for municipalities, counties and public enterprises under municipal or county ownership.

There are ongoing contacts between the central and local government authorities on a number of specific issues on both administrative and political levels. An agreement on regular consultative meetings between the central government and local authorities was reached in February 2000 and consists of plenary meetings and bilateral meetings between KS and ministries. These consultations provide a forum to discuss the framework for distribution of revenues in relation to the tasks carried out by the local governments, the financial situation of local government and efficiency measures.

The consultations also include routines for involving KS in the ministries' assessments of costs of reforms, and studies of how legislation proposals will affect the municipalities.





9. Reporting and benchmarking

The local governments have freedom to prioritise, and to decide how to implement the services to make them fit the local conditions. But the national government still has the overall responsibility, and naturally wants a lot of information about how the local authorities are doing. This is necessary both in order to develop national policies and to control that every municipality keeps up with national standards.

The information system of reporting is called KOSTRA. All reporting from municipalities and counties are on an electronic basis as well as the publishing on input and output indicators on local public services and finances. The municipalities report according to the same standards and classifications. The system contains coherent information on resource allocation, services and user requirements.

Benchmarking between municipalities is an important aim of KOSTRA.

Publishing on internet includes a number of fixed indicators on the municipalities' priorities, productivity and coverage of needs. It is structured to enable comparisons of one municipality with the average for the comparable group, the region or the country. The publishing also includes a programme that enables the users to construct their own indicators.

And timeliness is vital. Information on the past year is collected in February, and the indicators are published on Internet in March. Only electronic tests check the reliability of the data. Statistics Norway publishes revised figures in June. The system makes benchmarking possible as a part of the management process.

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