

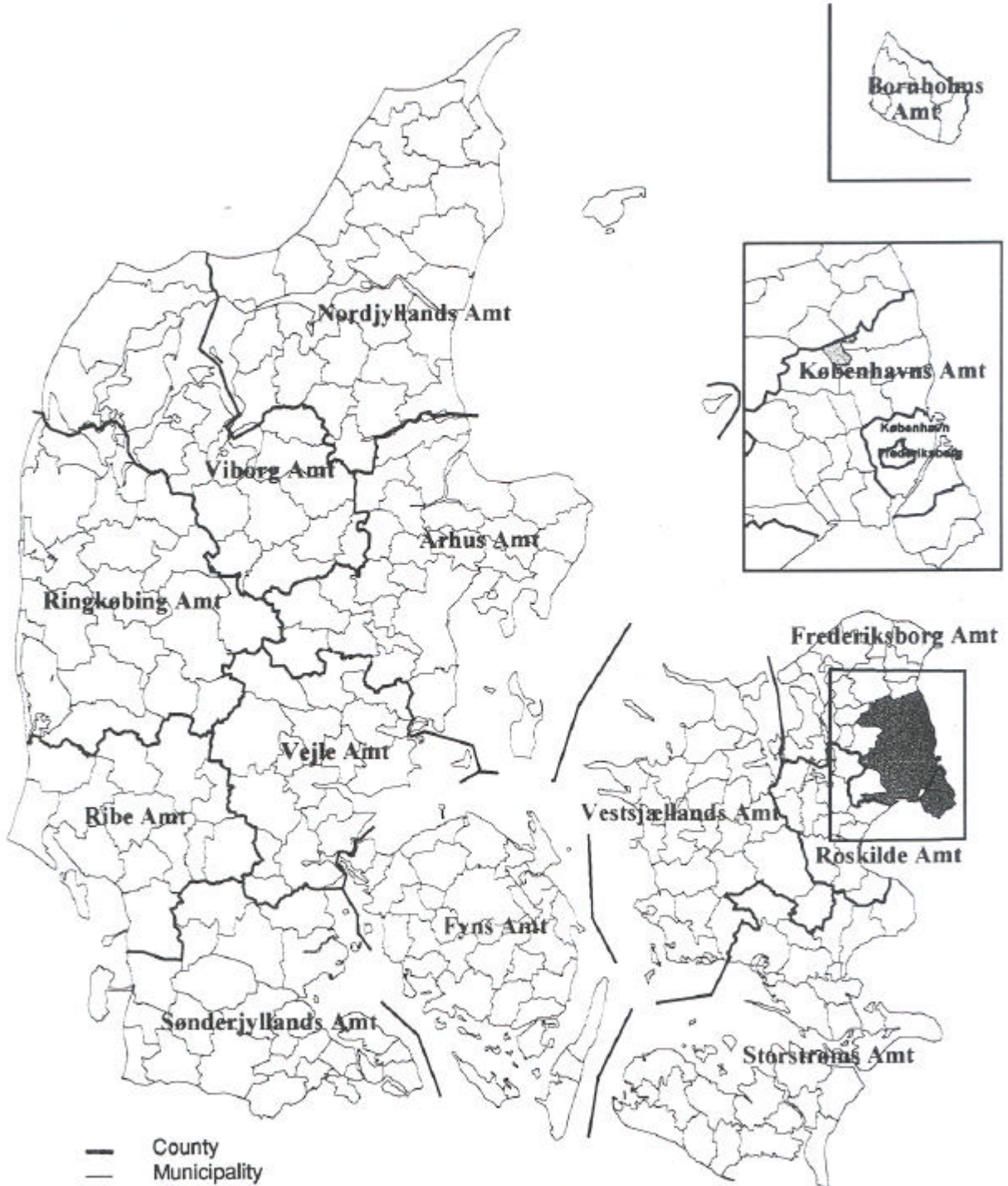
Council of Europe
Conseil de l'Europe



Structure and operation of local and regional democracy

Denmark

Denmark
Territorial set-up



French edition:

Structure et fonctionnement de la démocratie locale et régionale: Danemark

ISBN 92-871-3537-1

Studies appearing in the series "Structure and operation of local and regional democracy":

1st edition

1992: *Austria, Belgium, Bulgaria, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland.*

1993: *Czech Republic, Estonia, Hungary, Lithuania, Malta, Turkey, United Kingdom.*

2nd edition

The second edition was started in 1996. It will include an individual file for each of the member states of the Council of Europe.

Already published: *Bulgaria, Denmark, Lithuania, Luxembourg, Norway, Spain, Sweden.*

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Council of Europe Publishing

F-67075 Strasbourg Cedex

ISBN 92-871-3539-8

© Council of Europe, February 1998

Printed at the Council of Europe

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1. LEGAL BASIS

1.1. Constitutional provisions

The Danish Constitution makes provision for local self-government, as Article 82 acknowledges: "The right of the municipalities to manage their own affairs independently under the supervision of the state shall be laid down by law."

1.2. Main legislative texts concerning local/regional authorities

The rules concerning local government are laid down in the Local Government Act no. 615 of 18 July 1995 (*Bekendtgørelse af Lov om kommunernes styrelse*). The main act in this field was passed on 31 May 1968 and amended most recently by an act of 11 December 1996.

Apart from the exception of the municipality of Copenhagen, the Local Government Act contains the same rules for all municipalities and counties. Rules for the municipality of Copenhagen are laid down in Act No. 616 of 18 July 1995 (*Bekendtgørelse af Lov om Københavns kommunes styrelse*) adopted on the basis of an act of 8 June 1977 and subsequently amended by an act of 11 December 1996.

2. STRUCTURE OF LOCAL/REGIONAL AUTHORITIES

2.1. Main subdivisions

The structure of local government is based on a two-tier system, including counties (*amtskommuner*) and municipalities (*kommuner*). Copenhagen and Frederiksberg are special cases, being both municipalities and counties at the same time.

2.2. Statistical data

Number of units*

Units	1950	1996
Counties	25	14
Municipalities**	1387	275

(*) the structure of local government underwent a radical change in 1970

(**) including the municipalities of Copenhagen and Frederiksberg

County surface and population

County	Surface* (sq.km)	Population**
Københavns Amt	526	607 344
Frederiksborg Amt	1 347	353 674
	891	225 520
Roskilde Amt	2 984	289 852
Vestsjællands Amt	3 398	257 495
Storstrøms Amt	588	45 076
Bornholms Amt	3 486	470 528
Fyns Amt	3 938	252 929
Sønderjyllands Amt	3 131	223 097
Ribe Amt	2 997	339 818
Vejle Amt	4 853	271 730
Ringkøbing Amt	4 561	625 224
Århus Amt	4 122	232 254
Viborg Amt	6 173	490 836
Nordjyllands Amt		
Average	3 071	334 670
TOTAL	43 093	5 250 917

(*) 1994

(**) 1996

Municipality surface and population

	Surface* (sq.km)	Population**
Largest	564 ⁽¹⁾	47 6751 ⁽³⁾
Smallest	9 ⁽²⁾	2 381 ⁽⁴⁾
Average	157	19 094

(*) 1994

(**) 1996

¹ Thisted

² Frederiksberg

³ Copenhagen

⁴ Læsø

Municipalities by number of inhabitants

Number of inhabitants	Number of municipalities	%
Less than 10 000	0	0
1 000-5 000	18	7
5 000-10 000	118	43
10 000-50 000	123	45
50 000-100 000	12	4
100 000-500 000	4	1
more than 500 000	0	0

2.3. Special structures for particular areas

The Faroe Islands and Greenland are two autonomous regions belonging to the kingdom of Denmark. Both areas have their own legislative assemblies. Greenland has an area of 2 175 600 sq.km and 55 863 inhabitants while the Faroe Islands have an area of 1 399 sq.km and 43 382 inhabitants.

2.4. Regulations governing changes in structures

The ultimate authority for defining the boundaries of local authorities lies with parliament.

Rules concerning the change in county and municipal structures are laid down in Act no. 194 of 24 May 1972 (*Lov om fremgangsmåden ved ændring af landets inddeling i kommuner og amtskommuner*) amended by Act no. 311 of 19 June 1974 and Act no. 329 of 26 June 1975.

According to this act, the Minister of the Interior on request can decide minor changes of the division and, upon request, decide an amalgamation of municipalities, if the amalgamation has been recommended by the Local Division Board (which consists of representatives of the ministry and of local government organisations) and accepted by the parliamentary standing committee on local affairs. The Local Division Board may decide that an advisory local referendum be held.

2.5. General units of state administration at local/regional level

At the regional level there are fourteen county prefects' offices (*statsamter*), covering the area of the counties. The prefect (*statsamtmand*) is appointed by the government with main responsibility in the field of family law.

In addition, the county prefect's office serves as secretariat function for the social services board of appeal, which is the appealing instance for decisions by the local authorities on social questions. This board consists of the county prefect, who is the chairman, and two members appointed by the minister of social affairs on the basis of nomination by the local authority association.

The county prefect's office also has the secretarial function for the supervisory board which exercises legal control of the acts of local authorities and consists of four members, elected by the county council, and the county prefect, who is the chairman.

3. ORGANISATION OF LOCAL AND REGIONAL AUTHORITIES

3.1. Deliberative body

Every municipality and county has one decision-making assembly, i.e. a municipal council or a county council. According to the Local Government Act, the number of members of the municipal and county council must be uneven, at least 9 and not more than 31. Within these limits the councils themselves decide on the number of members.

All local councillors are elected for a four-year period in general local government elections, which take place on the same day throughout the country. The elections are held on the first Tuesday of the second half of November. The newly elected members take up their duties as from 1 January of the following year.

The rules governing election procedure are set out in the Local Government Election Act No. 140 of 8 March 1989. All citizens over the age of 18 who are resident in a municipality have the right to vote, and are eligible for local and county councils. Citizens from the other countries in the European Union as well as citizens from the other Nordic countries enjoy the same voting rights and the right to stand as candidate as Danish citizens. Foreign citizens from other countries are subject to a three-year residence requirement.

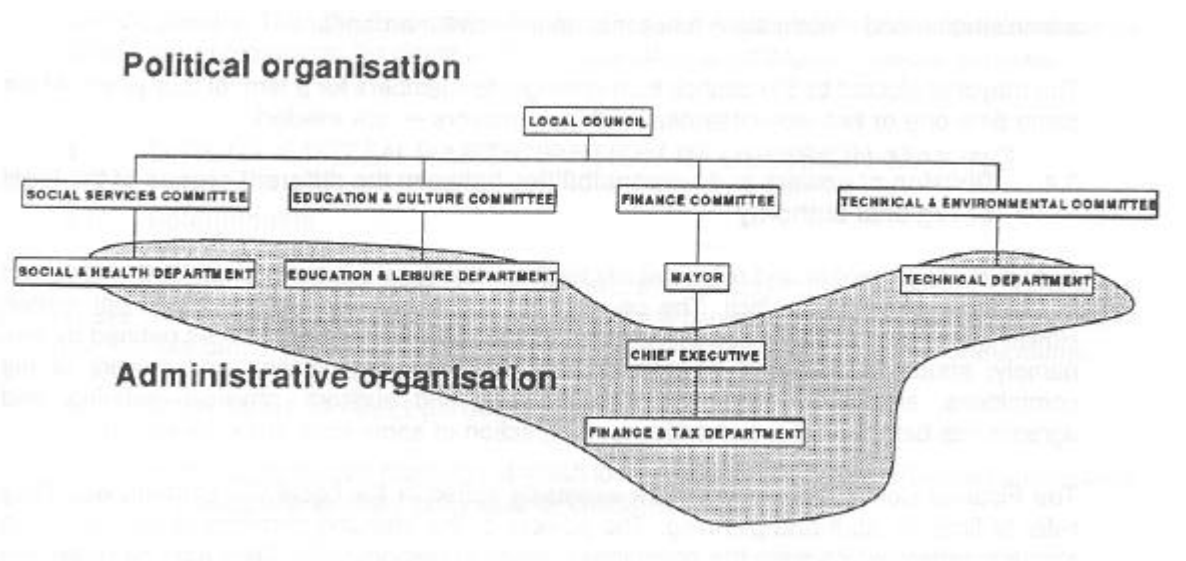
Elections are conducted on a system of proportional representation by party lists – often carrying the same name as the national political parties. The voter may vote either for a party as such, or for an individual candidate.

3.2. Executive body

All local and county authorities are required by law to appoint a Finance Committee, which is chaired by the mayor, and one or more so-called standing committees. However, according to recent amendments to the Local Government Act a council may decide not to set up any executive body apart from a standing committee dealing with social benefits for the citizens. For the time being just one municipality has made such a decision.

Each committee usually has five or seven members, who are at the same time members of the council. The seats of the committee are distributed among the parties in proportion to councillors seat allocation.

Example of political and administrative organisation of a local authority



Committees are responsible for the preparation and implementation of the council decisions and for the administration of local authority functions. In addition, they make decisions on behalf of the council.

There has been a tendency over recent years to reduce the number of committees or to combine them in order to enlarge their competencies and facilitate the solution of problems involving more than one sector or administrative unit, thus making the council more accountable and open to the public.

Among the various committees, it is worth mentioning the Finance Committee which has extensive powers including the preparation of the draft budget and the administration of the local and county authorities' economy and staff. It also functions as planning committee and, as such, co-ordinates both economic and physical planning of the authority.

A different system is run in the largest municipalities (Copenhagen, Århus, Aalborg and Odense). Administration is managed by a corporate body, (magistracy), consisting of the mayor and 5-7 aldermen (mayors), proportionally elected by the council. This body performs the functions which in other municipalities are the responsibility of the Finance Committee. In addition, each of the members of the magistracy carries out functions which in other municipalities are carried out by standing committees.

3.3. Political head

The head of the local and county authorities is the mayor who chairs both the council and the Finance Committee.

The mayor has the ultimate responsibility for day-to-day management of the council's administration and certain state functions, namely civil marriages.

The mayor is elected by the council from amongst its members for a term of four years. At the same time one or two vice-chairmen – deputy mayors – are elected.

3.4. Division of powers and responsibilities between the different organs of the local or regional authority

Overall management of and responsibility for the entire local or county organisation is vested in the local or county council. The council may make decisions in any municipal matter. However, in practice it only takes decisions on important issues or on issues defined by law, namely: annual budget and taxation, annual accounts, organisation and powers of the committees, election of members of committees and auditors, physical planning, and agreements between local authorities for joint action of some local authority activity.

The Finance Committee's powers are expressly stated in the Local Government Act. They refer to finance, staff and planning. The powers of the standing committees are set out in standing orders which state the committees' areas of responsibility. They may be delegated additional powers as, even though power for all municipal matters is allocated to the council, under Danish law there is no limitation to the delegation of powers. This is counterbalanced by the fact that any member of a committee may request that any matter delegated to the committee be put before the council.

3.5. Legal provisions concerning the internal structure

Provisions governing the internal structure of local authorities are contained in the Local Government Act. Local authorities have considerable freedom to decide the internal structure. The act contains the main provisions regulating the activities and duties of the council, the committees – Finance Committee, the standing committees and advisory committees, if any – and the mayor.

The act contains no provisions regarding local government administration. The council therefore is free to adapt its administration to the circumstances i.e. what kind of management structure is preferred, which functions should be allocated to the individual departments and how individual units should be organised.

The act also defines the decisions that politicians must take (budget, planning, economic matters, etc.) but does not specify the decisions which local government officials can take given that, according to the law, administrative staff does not have independent powers. Local authority politicians decide themselves what functions they are prepared to delegate to the local administration.

However, in practice, the great majority of decisions are made by the staff. In the daily work there is generally a close relationship between the chairmen of committees and the administrative departments, particularly the heads of departments, who normally act as committee secretaries.

In compliance with other legislation, local authorities set up commissions and boards with specific powers. Thus the Emergency Act requires each municipality to set up an emergency commission responsible for direct administration of local emergency rescue services.

4. DIRECT CITIZEN PARTICIPATION IN DECISION-MAKING

4.1. Referendums

The council is free to call local/county referendums on any matter within its competence. These referendums can only be advisory, even if the council links its decision to the result of the referendum. There are no provisions regarding the procedure for local referendums.

4.2. Other forms of direct participation

The councils can hold open meetings at which local authority affairs are explained and citizens may ask questions and make proposals or criticisms.

Planning legislation requires that the council informs the population about the main issues and options involved in the future planning activities. In addition the council must inform the citizens in various other ways to foster a public debate on the proposed local or county authority plan before final decisions are made.

User participation is very common and special legislation contains provisions concerning election of special committees or boards of users. Thus, each school has a school supervisory board made up of five or seven parent representatives, two teachers and other employees in the school representatives and two pupil representatives. In addition, for each municipal day-care centre for children, a parent board with a majority of elected parents is set up. The board includes two representatives elected by and among the people working in the institution. The municipal council decides whether or not representatives of the institution are to have a vote.

Each municipality also sets up a youth and adult education commission with independent power to carry out tasks according to the Youth and Adult Education Act. The committee is made up of a majority of user representatives and a minority appointed by the local council.

5. STATUS OF LOCAL ELECTED REPRESENTATIVES

5.1. Conditions and terms of office

All Danish citizens, citizens from the other countries in the European Union and citizens from the other Nordic countries over the age of 18, are eligible for election. Citizens from other countries must have resided in Denmark for at least three years prior to election day. The term of office is four years.

A council member may be disqualified from membership of the council if he has been convicted of an offence which is generally regarded as unworthy of a councillor. A special Election Tribunal, chaired by a Supreme Court judge and made up of members appointed by the Minister of the Interior, some on the recommendation of local authorities, decides on these cases.

The chief executive cannot be a member of the council, as he/she is adviser of the council and often the secretary of the council. The mayor, for his part, is the political leader of the entire administration and cannot simultaneously have a position as an employee in the administration.

The mayor and the aldermen cannot simultaneously be the county mayor. Apart from this a member of a local council can hold other elective offices simultaneously e.g. membership of a county council and membership of the parliament.

There are no regulations governing the financing of candidates' election campaigns. The parties represented in the council are paid a subsidy so that they can finance their own secretarial services.

According to the Local Government Act a local elected representative, who is an employee, normally has the right of absence to fulfil his duties as a member.

A council member is legally protected from being dismissed from his job due to his duties as a council member.

However this protection does not apply to the situation in which a council member is elected mayor or elected member of the magistracy.

5.2. Duties and responsibilities

Membership of the council is a task which eligible electors have a duty to accept if elected. The electoral law, however, contains certain provisions enabling a member to be relieved from duty to serve (grounds of ill health, business commitments, other public duties or the like).

Council members have a duty to attend the council's meetings including meetings of the committees to which they have been elected.

Council members are not obliged to declare their financial or personal interests. They are, however, obliged to refrain from participating in any matter in which they have a personal or economic interest. Save in exceptional circumstances council members are not personally liable.

Elected representatives are not entitled to leave from membership, but if they have a just cause, e.g. illness, pregnancy, maternity (or paternity), performance of other public offices or duties, private business interests, etc., they may be absent. When a justified absence lasts more than one month, a substitute will be convened.

5.3. Working conditions

An office (apart from the office of the mayor and the chairmen of committees) involves on average more than fifteen hours a week.

Meetings must be held at times which interfere as little as possible with members' regular employment.

The elected representatives receive agendas and copies of the necessary files of the agenda items. Besides they are entitled upon request to get free copies of all documents in the files of the administration.

Concerning training, an intermunicipal institution, the Local Government College, runs courses for newly elected representatives.

There are no restrictions concerning the activities that elected representatives may exercise after the end of their term of office.

The percentage of the female representation of the municipal councils is 28 and of the county councils 31.

5.4. Remuneration

Mayors (and aldermen) are salaried as full-time employees, and the chairmen of committees as part-time employees. The rest of the members are compensated on an annual basis according to both the size of the authority and scope of the members' committee work. Subject to a deduction of the salary, members may also receive compensation for loss of earnings. Members, who have small children, receive an additional fee covering expenses for child-minding. The legislation contains provisions concerning remuneration, fees, special aid to members with a physical handicap, travel costs, etc.

The remuneration is subject to tax but not to the deduction of contributions for health insurance and retirement pension schemes.

Mayors and aldermen are entitled to pension after eight years. Besides mayors, aldermen and chairmen of committees are entitled to a salary for some months after the end of their term of office.

6. DISTRIBUTION OF POWERS BETWEEN LOCAL AND REGIONAL AUTHORITIES

6.1. Principles governing the distribution of powers

Counties are entrusted with competencies which concern larger populations than those of municipalities. These include co-ordination and planning across local authority boundaries in the fields of public transport, hospitals, secondary education and regional planning. Furthermore, they act as approving authority in certain fields, for example environmental.

Municipalities are responsible for social welfare and health services, which are the most important areas of responsibility. In addition, they are responsible for the assessment of taxes. Together with the counties, municipalities carry through many employment measures. Local and regional authorities also co-operate in the area of public transport.

The tasks which the municipalities and counties are to handle are specified in acts for each individual sector, such as school legislation, social legislation, etc. This legislation gives the local and regional authorities more or less freedom to determine the level and extent of the benefits.

Some laws have a framework nature and allow wide possibilities for implementation. Other laws assign specific tasks to municipalities or counties and therefore grant them only little room for manoeuvre in the individual authority carrying them out.

Finally, municipalities carry out a number of tasks which are not determined by law and others which are delegated by the state, for example the civil register.

The table at the end of this chapter gives an overview of the competencies allocated to local and regional authorities.

6.2. Participation of local/regional authorities in national economic and spatial planning

Central government economic co-operation with local and regional authorities has been carried out by means of voluntary agreements between the National Association of Local Authorities, the Association of County Councils, and the Copenhagen and Frederiksberg Authorities on the one hand and the Government on the other. According to these agreements the associations resume a joint responsibility for the public economy on behalf of their members.

The central government, represented by the Ministry of the Environment and Energy, is responsible for the national planning, which provides the framework for regional planning. Regional plans are drawn up by county councils on the basis of proposals submitted by the individual municipal councils.

Function	Competent authority			Type of competence				Exercise of the competence				Remarks *
	State	Intermediate	Municipality	Exclusive	Shared	Compulsory	Discretionary	Direct	Indirect	In own right	For another authority	
General administration												
Security, police	•			•		•		•		•		
Fire protection			•	•		•		•		•		(1)
Civil protection	•	•	•	•	•	•		•		•		(2)
Justice	•			•		•		•		•		
Civil status register	•		•		•	•		•	•	•	•	
Statistical office	•	•	•	•	•	•	•	•	•	•	•	
Electoral register			•	•		•		•		•		
Education**												
Pre-school education			•	•		•		•		•		(3)
Primary education			•	•		•		•		•		(3)
Secondary education		•		•		•		•		•		(3)
Vocational and technical	•			•		•			•	•		
Higher education	•			•		•		•		•		
Adult education		•	•	•		•		•		•		
Other												
Public Health												
Hospitals		•		•		•		•		•		
Health protection	•	•	•	•		•	•	•		•		(4)

(*) for any remarks see last page in this country's table
 (**) the competence refers to both infrastructures and staff

Function	Competent authority			Type of competence				Exercise of the competence				Remarks *
	State	Intermediate	Municipality	Exclusive	Shared	Compulsory	Discretionary	Direct	Indirect	In own right	For another authority	
Social Welfare												
Kindergarten and nursery			•	•		•		•		•		(5)
Family welfare services		•	•	•		•		•		•		(5)
Welfare homes		•	•	•		•		•		•		(5)
Social security		•	•	•		•		•		•		(6)
Other			•	•		•		•		•		
Housing and town planning												
Housing	•(a)	•(a)	•	•(b)	•(a)	•(a)	•(b)	•(a)	•(b)	•		(7)
Town planning			•	•		•		•		•		(8)
Regional/spatial planning		•		•		•		•		•		(8)
Environment, public sanitation												
Water & sewage			•	•		•		•		•		
Refuse collection & disposal			•	•		•		•		•		
Cemeteries & crematoria			•		•		•	•		•		(9)
Slaughterhouses												
Environmental protection		•	•	•		•		•		•		
Consumer protection			•	•		•		•		•		
Culture, leisure & sports												
Theatres & concerts	•	•	•	•		•			•	•		
Museums & libraries	•	•	•	•	•	•	•	•		•		
Parks & open spaces			•	•			•	•		•		
Sports & leisure			•	•		•	•	•	•	•		

(*) for any remarks see last page in this country's table
 (**) the competence refers to both infrastructures and staff

Function	Competent authority			Type of competence				Exercise of the competence				Remarks *
	State	Intermediate	Municipality	Exclusive	Shared	Compulsory	Discretionary	Direct	Indirect	In own right	For another authority	
Religious facilities												(10)
Other cultural facilities			•	•			•	•	•	•		
Traffic, transport**												
Roads	•	•	•	•		•		•		•		(11)
Transport	•	•	•	•	•	•		•	•	•		(12)
Urban road transport	•	•	•	•	•	•		•	•	•		
Urban rail transport	•			•			•	•		•		
Ports	•		•	•		•	•	•		•		
Airports	•	•	•	•		•	•	•		•		
Other traffic & transport	•	•	•	•		•	•	•		•		(13)
Economic services												
Gas			•	•			•	•		•		
District heating			•	•		•		•	•	•		(14)
Water supply			•	•		•		•	•	•		(14)
Agriculture, forests, fishing	•	•		•		•		•		•		
Electricity			•	•		•		•	•	•		(14)
Economic promotion			•	•			•	•		•		
Trade & industry												(15)
Tourism	•	•	•	•	•		•	•		•		
Other economic services												(15)
Other functions												
Employment	•	•	•	•	•	•		•		•		(16)

(*) for any remarks see last page in this country's table

(**) the competence refers to both infrastructures and the management

Remarks:

- (1) Most municipalities have concluded agreements with Falcks Redningskorps, a private salvage corps.
- (2) The responsibility for civil protection is divided between the central government and the local level, the municipalities having the main responsibilities.
- (3) There are also private schools.
- (4) The counties are responsible for the administration of health services - including payment of doctors' or other practitioners' fees - while the municipalities maintain direct contact with users of these services.
- (5) The task is often accomplished by private foundations.
- (6) The municipalities have the main responsibility for the administration of social security, but there is substantial central government contribution of the costs. The counties still have a few social service functions.
- (7) (a) concerns the provision of houses (often accomplished by a local social houses association), and (b) concerns the housing assistance to individuals. In the absence of any indication they concern both.
- (8) The national planning provides the framework for regional planning while regional planning provides the framework for town planning.
- (9) Also provided by National Church. See (10) below.
- (10) National Church is an independent authority self-financed by the church tax.
- (11) The state is responsible for main roads and motorways, the counties for secondary roads, and the municipalities for all other public roads.
- (12) Most urban road transport is run by the counties' public transport companies (joint action between the county authority and the local authorities), but some bus companies are still operated by the local authorities. The Danish State Railways provide transport services, normally in co-operation with the county authority transport companies.
- (13) A few municipalities and counties run joint ferry services.
- (14) Water and electricity supply and district heating is the responsibility of municipalities. Even though they may not provide the services themselves, they must ensure that the supplier is put under an obligation to supply all citizens where technically possible, authorise the laying down of pipes and cables in public roads and demand guarantees of satisfactory maintenance of production.
- (15) A local authority is not normally allowed to engage in trade and industry unless for its own purposes. Nevertheless they provide conditions for the local trading by buying and developing land for trade and industry uses, and providing good access roads. Most towns have also established or subsidised industrial development centres for the promotion of local trade and industry.
- (16) Local job centres and the local labour inspection authorities are central-government institutions. However faced with the increase in unemployment, local authorities satisfactorily provide employment opportunities and training.

7. CO-OPERATION AND OTHER TYPES OF LINKAGE BETWEEN LOCAL AND REGIONAL AUTHORITIES.

7.1. Co-operation for the performance of tasks of common interest

In conformity with the Local Government Act, agreements between local authorities for joint action in the performance of a local authority's competencies must be approved by the supervisory authority if a special body is set up to act on behalf of the participating local authorities. The responsibility for decisions affecting the annual expenditure lies with the joint body, and the participating local authorities are correspondingly restricted in the decisions they can take.

Joint local authority consortia, even though independent, are public authorities, even when they are established as private companies by means of partnerships.

On the contrary, co-operation between local authorities which does not restrict the powers of the respective councils is not subject to approval.

Intermunicipal activities and institutions are fairly common. There are various organisational structures: self-governing institutions, partnerships, limited companies and other private organisational forms. Moreover, in certain areas, local authorities may co-operate with private enterprises in the form of limited companies and – more seldom – in partnerships.

In principle, intermunicipal activities are carried out on a voluntary basis, but in a few cases such co-operation may be a compulsory requirement for certain purposes, for example under special circumstances: public transport, refuse collection and disposal.

The most common areas of co-operation are economic services (natural gas, electricity, etc.) refuse collection and disposal, food hygiene laboratories and public transport.

The largest and nationwide intermunicipal activities are run by the associations of local and county authorities, for example Local and Regional Authorities EDP-Organisation (*Kommunedata I/S*), Organisation for Handling and Treatment of Waste Oils and Chemical Wastes (*Kommunekemi A/S*), etc.

7.2. Associations of local authorities at national or regional level

The National Association of Local Authorities and the National Association of County Councils gather together all local and county authorities except Copenhagen and Frederiksberg, which enjoy the double nature of county and municipality and are not members of any of the associations.

These associations are governed by private law. They do not form part of the local administrative system, and their activities are not regulated by any legislation.

These associations act on behalf of local authorities, in negotiations with the central government and with the trade unions of the local staff. They conclude agreements on salaries which bind local authorities.

7.3. International co-operation between local/regional authorities

Since Denmark's accession to the Council of Europe Convention on Transfrontier Co-operation between Territorial Communities or Authorities in 1981, local authorities can freely co-operate, on an individual basis, with their counterparts in other states. However, local authorities cannot set up a joint body which can make financially binding resolutions without approval from the municipal supervisory body.

Local and county authorities are not subject to any restrictions on membership of international associations.

8. FINANCE

The revenue of local authorities (municipalities and counties) includes the categories shown in the following table.

The financial structure of local authorities in 1994*

	Counties	Copenhagen & Frederiksberg	Municipalities	Total
Taxes	62	52	54	56
Specific grants	1	9	11	8
General grants	19	12	12	14
Fees and charges	17	26	22	21
Other income	1	1	1	1
Total	100	100	100	100

(*) Figures expressed as percentages

8.1. Taxes

The following table contains the various tax sources for local authorities.

Local authority financing by type of taxation in 1994*

	Counties	Copenhagen & Frederiksberg	Municipalities	Total
Income tax	92,00	84,00	91,00	91,00
Land tax	8,00	12,00	6,00	7,00
Corporate tax	-	3,00	2,00	1,00
Other taxes and duties	0,00	1,00	1,00	1,00
Total	100,00	100,00	100,00	100,00

(*) Figures expressed as percentages

Municipalities and counties exclusive local taxes are the income tax and land tax.

Income tax is collected by the state together with the state income tax, while the land tax is collected by the municipalities.

Municipalities and counties are free to set income tax rates or tax levy percentage.

Both municipal and county authorities levy land tax on the basis of the value of land. In municipalities the councils decide on the fraction of the value of land and on the land tax percentage that is to be levied. The land tax percentage in municipalities must be between 0.6 and 2.4%. For 1994, 1995 and 1996 a maximal land tax of 1.5% for agricultural holdings has been agreed.

The land tax percentage in county authorities is fixed by law at 1%. For farming land used for production purposes, however, it is 0.57%.

Both the municipal council and the county council can exempt certain properties from land tax, e.g. private schools, non-profit institutions, sports grounds and museums. Other properties are exempt by law, for example protected buildings.

Municipalities and counties are not entitled to introduce new types of taxes.

Concerning share taxes, municipalities receive a fixed share of some taxes, mainly national personal income tax, corporate tax, tax on estates of deceased persons and pensions schemes tax.

8.2. Grants

All main aspects of the grant and equalisation system are regulated by law. Only the regulation of some technical matters has been delegated to the executive.

Two types of grants are allocated to local authorities – specific grants and general grants. Specific grants are allocated for financing current expenditure, while the general grants have no specific purpose. Furthermore, municipalities or counties may benefit from financial equalisation grants as referred to in 8.3. below.

The main specific grants are:

- 50% refund of social security expenditure (cash benefits);
- 50% refund of housing supplement expenditure;
- 75% refund of housing supplement expenditure to old-age pensioners;
- 100% refund of expenditure on sickness benefits in the first 13 weeks and 50% thereafter;
- grants to employment schemes;
- 100% refund of child allowance expenditure;
- 100% refund of national old-age pensions;
- 50% refund of early retirement pensions to pensioners under the age of 60.

The main general grants are:

- grants to municipalities;
- grants to counties;
- grants to municipalities with a very low tax base;
- grants to municipalities outside the metropolitan area in financial difficulties;
- grants to major islands.

The following table provides an overview of the importance of specific and general grants as a percentage of total grants.

Grants in 1994*

	Counties	Copenhagen & Frederiksberg	Municipalities	Total
Specific grants**	3	42	47	36
General grants	97	58	53	64
Total	100	100	100	100

(*) Figures expressed as percentages.

(**) Expenditure with 100% reimbursement excluded.

The general grants to major islands' local authorities are conditional upon financial participation by both the local and the regional authorities. They are intended to contribute financially to the ferry service and to support youngsters who have to move from the islands to receive education at secondary schools. They are distributed according to the number of inhabitants, the number of 16-19 year-olds, the quantity of transported cargo and the duration of sailing-time.

8.3. Financial equalisation

One of the purposes of the Danish grant and equalisation system is to reduce differences in the "tax price" from one municipality to another. The tax price or tax/service relation is the relation between the level of service and the tax.

Differences in tax/service relations can be due to different costs of service per inhabitant in municipalities. Expenditure need is measured taking into account several factors, for example the number of children below school age, the number of children of school age, the number of elderly people, etc.

Another reason for differences in taxation is due to the difference in tax basis which expresses incomes and land value in the municipality.

Should every municipality finance its own expenses, there would be very great differences in the tax/service relation between the municipalities. This would lead to considerable differences in the level of services, the tax burden or in both of these relations. These differences are equalised.

A municipality with a high income basis or low expenditure needs would have a low tax rate, without the equalisation system. The purpose of this system is to ensure the same level of service and a more equal tax rate independent of the income and the expenditure needs of the population.

Concerning the equalisation of expenditure needs, there are three systems: municipal equalisation, municipalities within the metropolitan area equalisation (this equalisation is added to the equalisation of the country as a whole) and county equalisation.

In order to equalise expenditure needs it is necessary to measure the expenditure needs of each individual municipality. They are calculated on the basis of so-called objective criteria, which are supposed to reflect the circumstances that give rise to expenditure needs in the municipalities.

In the existing system, the equalisation is not total. The levels of equalisation are: 45% in municipalities equalisation, 40% additionally in the metropolitan area, i.e. 85% of the difference between the municipalities in the metropolitan area is equalised, and 80% in country equalisation.

Concerning equalisation of tax basis, there are four systems:

- national equalisation comprising all municipalities in the country;
- metropolitan area equalisation comprising all municipalities in the Copenhagen area;
- a grant scheme for municipalities with a low tax base;
- county equalisation for all counties in the country.

Tax base equalisation is carried out in the same way as equalisation of expenditure needs. The starting point is a calculation of the individual municipalities or counties tax base. Municipality tax base is the income tax base plus 6.5% of taxable land values. The county tax base is calculated as the sum of county income tax revenue and land tax divided by the tax rate percentage.

Current levels of tax basis equalisation are:

- 45% in nationwide municipality equalisation;
- 40% additionally in the metropolitan area, which means that 85% of the difference between the municipalities in the metropolitan area is equalised;
- municipalities, whose tax base per inhabitant is less than 90% of the national tax base per inhabitant, are granted 40% supplementary equalisation in addition to the national equalisation;
- 80% in county equalisation.

In addition to the equalisation and grant systems already mentioned, there are a number of special schemes, namely:

- municipalities in the metropolitan area with special economic difficulties receive a grant which is financed by a 0.1% of tax base contribution of all municipalities in the metropolitan area;
- municipal expenses for municipalities in the metropolitan area for rent support are equalised at a 100% rate;
- equalisation schemes pertaining to refugees, immigrants, and asylum seekers. The purpose of these schemes is to equalise the average additional costs imposed on municipalities in connection with integration, language instruction, and social expenses, etc. for foreigners. An annual grant is given to municipalities to cover additional expenses in connection with immigrants and refugees. Furthermore there are a number of grants deriving from social expenses for refugees. These schemes are financed by municipalities collectively so that the grant is distributed in proportion to the tax base of the municipality;
- special equalisation scheme intended to reimburse the additional costs in counties with a significant number of AIDS patients.

8.4. Other sources of income

Other sources of income consist primarily of fees and charges.

Revenue of local authorities from other income in 1994 is shown in the following table.

Revenue of local authorities from other income in 1994*

	Counties	Copenhagen & Frederiksberg	Municipalities	Total
Fees and charges	17,00	26,00	22,00	21,00
Other income	1,00	1,00	1,00	1,00

(*) Figures expressed as a percentage

The revenues resulting from fees and charges are continuously increasing. The most significant ones are described in the following paragraphs.

a) Public utilities

Municipalities produce public utilities (sewage works, refuse collection, gas-electricity-, heat- or water supply) through self-financing, non-profit organisations or companies. This does not exclude economical imbalances for the individual fiscal year and the self-supporting nature is therefore spread out over a period of time. Municipalities are required to keep accounts of outstandings. Municipal revenue with respect to public utilities in 1994 were 21 402 millions (including the municipalities of Copenhagen and Frederiksberg). The revenue is to cover both operating and capital expenditures.

b) Public and private day-care institutions

Parents' payments of public and private day care institutions are regulated by legislation. Municipalities are required to charge parents for 30% of the running costs. Nevertheless the municipality may grant general subsidies. Charges are fixed once a year. Revenues in 1994 were 3 469 million (including the municipalities of Copenhagen and Frederiksberg).

c) Care for the elderly

Elderly people benefiting from municipal housing provided with care receive pensions as elderly people living on their own. Consequently they are now being charged for rents and can at the same time freely choose to buy a so-called "service package" including for example meals, laundry, transport, electricity, heating and other possible specialised caring services. Previously, the system for nursing or rest homes and so on was based on a monthly allowance to clients.

Finally, municipalities and counties share the economic responsibility of some specialised social welfare services as for example some services to the physically or mentally disabled. Accordingly, the authority managing the relevant service producing institutions (primarily the counties) are in principle selling services to other public authorities.

Other income consists of capital and investment income; primarily sale of property or net revenue from interests.

8.5. Borrowing

Municipalities borrowing is restricted to financing investments in water, electricity, heating, urban renewal, housing for elderly people and acquisition of land. The expenses in these fixed assets constitute the "borrowing ceiling" of a municipality within which municipalities are able to raise loans without authorisation from higher authorities.

Outside this ceiling permission from the Ministry of the Interior is required and the permission will be granted on the basis of low liquidity criterion.

Loan-guaranties, renting and leasing are considered to be borrowing by the municipality.

The rate of interest is free, but the municipality is committed to raise loans on the best terms on the market. The term of loans cannot exceed thirty years, except for loans raised to finance housing of elderly people. The term for bullet loans or loans with a repayment-free period cannot exceed twenty years and their average life should not exceed fifteen years.

Counties are not allowed to borrow more than 25% of the investment expenditure.

There are no restrictions concerning the sources of borrowing. Central government, however, does not normally grant loans.

Municipal expenses in fixed assets are usually financed by long-term borrowing in the capital market.

Because of frequent fluctuations in the need for liquidity, municipalities and counties are allowed to raise bank overdrafts. The average during the last twelve months of the day-to-day balances of overdrafts and building loans cannot exceed the average of the same period of the day-to-day balances of cash funds, postal giro, cheque and current accounts.

Bank overdrafts for joint local authority corporations, partnerships, co-operative societies and similar entities, in which local authorities have a controlling interest, cannot exceed an amount of 50 DKK per capita.

The rate of interest is unrestricted, but the authority/body is committed to raise a bank overdraft on favourable terms.

Central government does not stand guarantee on loans raised by municipalities and counties.

Local and regional finances are included in national financial and economic planning and central government's economic control over local authorities is exercised by agreements passed between central government and the national associations of municipalities and counties, namely on preservation of the rate of taxation and the level of expenditure by municipalities and counties.

8.6. Exercise of economic control by central authorities – Budget co-operation

The municipal and county expenditure has increased over the years from 22% of GFI (gross factor income) at the beginning of the 1970s to 32% in 1994. However, some of this growth is due to a number of transfers of tasks from the state to local authorities.

The significant importance of local authorities in the national economy has made it necessary to involve local authorities more and more in the economic policy. This has been done by continuous dialogue between central government and local authorities about local authority economy. It is based on the assumption that it is the responsibility of parliament and the central government to establish economic and political goals, but that the details of local authority integration into national economic policies should depend on voluntary agreements between the local authority organisations and the government.

At the beginning of the 1980s, the budget co-operation between the state and local authorities was based on government recommendations to local authorities to observe certain limits in expenditure growth and the development of local taxation.

In 1983, the government started to combine recommendations on expenditure with cuts in the general grants in order to confiscate the surplus created as the income base grew faster than local authority prices and wages due to upward market trends.

Between 1986 and 1988, local authorities not complying with expenditure limits were sanctioned in various ways, and counties were set a "tax ceiling" for 1988.

Since 1989 the budget co-operation has been based on voluntary agreements with the local government organisations. At the beginning of the 1990s, agreements have mainly attempted to prevent local taxes increase. Thus, in 1991 the government and local authority organisations made an agreement for the 1992-94 period, according to which local taxes should not exceed the 1991 level.

The 1993 agreement included a reduction of local taxes and the possibility for municipalities and counties to raise certain state loans to finance operating costs (mortgage bank loans).

The 1994 agreements maintained the level of local taxes and included several measures on care for the elderly and local construction work, in order to promote employment.

The 1995 agreement has been strongly influenced by the desire to ensure stable growth and to consolidate public finances. A reduction in local authority investment and construction expenditure has been stressed, together with a stable tax level. Thus, local and national economic policies were aligned to achieve low inflation and low interest rates.

The 1996 agreements included restrictions on local expenditure, particularly on local investments. When the agreement was negotiated, an increase in the overall county and municipal tax of about 0.5% was anticipated – which roughly matched the actual increase for 1996.

Thus, the state very rarely dictates conditions for local authority economy. Instead, the government, together with local authorities' organisations, negotiates the guidelines for local government economy for the coming year. This system should not necessarily be seen as an alternative to legislation given that an agreement may often involve new legislative measures.

Moreover, it facilitates management, as local authorities are normally willing to honour agreements to which they were party and which grant them greater freedom.

Agreements between the government and the local authority organisations are not legally binding for the individual local authority, as the local authority organisations cannot legally commit their members. Thereby the agreements allow individual authorities a certain amount of space to make adjustments to local conditions. According to the agreement, however, such adjustments must balance out among the local authorities.

9. CONTROL OVER LOCAL/REGIONAL ADMINISTRATION

9.1. Legal control

According to the Constitution, the state supervises local authorities' self-government. However, general supervision is today of a limited nature.

Responsibility for general supervision of local authorities corresponds to the county supervisory committees which exist in every county. They are chaired by the county prefect, and made up of four other members elected by the county council from amongst its members.

The Ministry of the Interior is the highest authority of supervision of local and county authorities and exercises control over county supervisory committees.

Concerning supervision powers, the supervisory authority may cancel decisions either on its own initiative or at the request of citizens or a minority in a local council, if it turns out that the decisions are not in accordance with existing rules of law, concerning procedure or contents.

In addition, the supervisory authority may also impose fines in order to force the local council to execute measures which it is obliged to carry through according to law.

Members of the local council are politically and legally responsible for their decisions and can be made personally liable.

Local authorities' decisions are not subject to approval by superior authorities with the exception of intermunicipal co-operation, where a joint body is set up to make decisions on behalf of the local authorities, decisions on assuming joint or subsidiary liability and appointment and discharge of auditors. In these cases, both the legality and the expediency of the decision are controlled.

In some areas, the individual relevant ministries supervise the municipalities within their fields. For some activities plans have to be remitted, for others yearly reports must be presented concerning the activity in question. The supervisory authority may stop a local authority practice, but not impose a new one.

Disagreement between a local council and the supervisory authority concerning a question of legal basis may be finally determined by bringing a civil action before the competent court.

9.2. Financial control

Professional auditing of all local and county authorities' accounts is a statutory requirement. In most authorities this function is performed by the Local Government Auditing Department, an intermunicipal institution set up by the local government association.

Moreover, municipalities are obliged to send their revised accounts to the supervisory committee, to ensure that the municipal activities are carried out in accordance with present legislation.

There are legal restrictions on investments, loans, taxes and staff established on the basis of voluntary agreements between the government and local authorities.

10. REMEDIES FOR INDIVIDUALS AGAINST DECISIONS OF LOCAL/REGIONAL AUTHORITIES

Decisions taken by local and county authorities may be appealed to higher authorities, under specific legislation, for example the Social Welfare Act, the Environmental Protection Act and the Planning Act. The appeal system is sometimes limited to legality and not expediency. These appeals can only be made by an interested party if the decision goes against him.

Nevertheless, the supervisory authority may cancel illegal decisions at the request of citizens.

The final control over the legality of local authorities' decisions and decisions or appeals made by the supervisory authorities corresponds to the ordinary courts.

11. LOCAL/REGIONAL ADMINISTRATIVE PERSONNEL

Local and county councils have the full responsibility for the government and administration of the municipalities and counties and are entirely free to determine the structure of their administration and their staff.

The mayor is the political day-to-day leader of the administration.

Concerning wages, all local authorities have authorised their respective organisations to conclude binding agreements with the organisation of the staff. Wages follow centrally fixed standards (by the Local Government Salary Board, consisting of councillors appointed by the Minister of the Interior on recommendation of the local government associations).

The local and county council and the councils' Finance Committees are responsible for the staff of the authorities which are not appointed politically and they are not replaced after an election.

Administrative and total personnel of local authorities in 1994

	Counties	Copenhagen & Frederiksberg	Municipalities	Total
Administrative staff	6 284	7 818	38 700	52 802
Other	120 240	56 728	281 408	465 066
TOTAL	126 524	64 546	320 108	517 868*

(*) including 6 690 working in municipal enterprises and organisations

According to the budgeting and accounts system for municipalities and counties, administrative staff is registered under the account entitled "Administration". However, administrative tasks carried out in municipal or county institutions, for example day care institutions or municipal primary schools, are not registered under this account.

12. REFORMS ENVISAGED OR IN PROGRESS

Several reforms are currently under way concerning the Copenhagen metropolitan structure, the application to the latter of the Local Government Act and a reallocation of powers between the various levels of government.

A comprehensive experiment on district councils is being carried out from 1 January 1997 in Copenhagen. Out of the total fifteen district councils, four provide a wide selection of public services, for example day care institutions, schools, nursing and rest homes, culture and leisure, employment, streets and roads, etc. The members of three of these councils are directly elected by the citizens in the district, while in the remaining one district the council has been elected by the Copenhagen City Council.

In the autumn of 1996, the government presented a proposal to repeal the Local Government Act for the Municipality of Copenhagen to the parliament. If the proposal would be accepted, the Local Government Act would also apply to Copenhagen.

The administrative structure and operation of the metropolitan area has been scrutinised by a commission representing the co-ordinating ministries of the government. The commission presented its report to the government at the end of 1995, including proposals for further decisions in the form of legislation on the regional political structure of the metropolitan area.

The government conducted political negotiations with the parties of the opposition in the Parliament in the early spring of 1996, but was not able to assemble a broad majority. It therefore decided to set up a commission with the purpose of analysing the general allocation of competencies between the state, county and municipal levels of government. This commission is expected to conclude its work by the end of 1998. Thus, political negotiations on the allocation of tasks and on the administrative structure of the metropolitan area will accordingly be taken up again in 1998/99.