

The Danish Local Government System

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1 Introduction

a) Origin and main stages of the development of local government

From the beginning of the 19th century and until 1970 Denmark consisted of more than 1300 urban and rural municipalities. The market towns were under supervision by the Ministry of Welfare while 24 counties supervised the rural municipalities. Only in 1960, the members of the county councils were democratically elected but still with the chairman being appointed by the Minister of Welfare. In 1970 a reform was implemented and only one type of municipality emerged. The 1389 municipalities were amalgamated into 275 and the 24 counties into 14. The size of the municipalities had increased and so had the number and extent of their responsibilities. In 2007, the Danish Government passed yet another reform and the counties were abolished and replaced with 5 regions. The number of municipalities is now 98.

b) Short characteristics of evolution of local government in Denmark for the last 5 years

Denmark has been in a constant "reform mode" during the last 5 years, leading to a reshuffle of the division of public sector tasks, revision of the administrative-territorial boundaries, changes in the financing of local government, and enhancing the overall role of municipalities (instead of regions) illustrated by making municipalities the one entry to services in the whole public sector.

At the same time, the central government has also been trying to curb the overall independence of municipalities through introduction of "tax freezes" and relatively tight limits to the overall expenditure level of municipalities. In spite of this, Local Government Denmark (LGDK) and the Ministry of Finance have all the years concluded annual agreements on the overall finances for municipalities next year.

The prevailing objectives of reforms have been to make the local government system more efficient providing a safeguard against the increasing future challenges – domestic and foreign. The challenges are seen as being related to the continued ability to attract investments, being able to create good conditions for local economic development, being able to provide good education possibilities and a nice environment for business managers and the local population to live in, being able to provide public services at a high quality for a low price, being able to represent Danish municipalities internationally, and to integrate international developments in the strategic development of municipalities so they remain competitive.

c) Government tiers and their nature

As mentioned above, the latest administrative-territorial reform was undertaken 2003-2007 and the existing 14 counties were turned into 5 regions, and 271 municipalities were reduced to 98 by amalgamation. Popularly elected councils govern both municipalities and regions.

Denmark has the following administrative-territorial structure as of 1.1.2007:

Level 1	The state	
Level 2	Regions	Municipalities

There is no system of subordination between the regions and the municipalities, as they possess different tasks and responsibilities.

Prior to the reform of 2007, 206 of the 271 municipalities had less than 20,000 inhabitants. One of the reasons to change this division and enlarge the municipalities was to make the local governments more efficient and enable them to take on more extensive tasks and responsibilities.

Distribution of the population among municipalities as of 2007	
Municipalities	Inhabitants
7	0-20,000
18	20,001-30,000
37	30,001-50,000
36	50,001-

d) Financial indicators

In 2008, the gross expenditures per inhabitant for Danish municipalities and regions were respectively Euro 9,000 and Euro 2,500. For the total public sector the expenditures per inhabitant amounted to Euro 22,600. This means that the regions and municipalities are responsible for 51 per cent of all public expenditures in Denmark. For investment the importance of the local governments is slightly less with 42 per cent in 2008.

With a GDP estimated at Euro 230 Billion in 2008, the share of the total public expenditures to the GDP is 52 per cent and the share of the local governments' expenditures to the GDP 26.5 per cent.

2 Local political system

a) Political parties in local elections

Local divisions of national parties compete for representation in the municipal and regional councils. Local lists or independent candidates of more local character may also join the election (if they collect significant signatures among the electorate) and become member of the councils. The municipal and regional mayors are indirectly elected, as they are elected by and among the members of the respective councils.

b) Pluralism

The local elections are therefore pluralistic meaning that any Danish citizen can compete in the local government elections, as well as all EU citizens, plus non-citizens having resided in Denmark for 3 years. Municipalities organize all elections – national as well as local.

c) The executive

In Denmark the authority vested in the council is stepping in force at the first meeting after the election, normally held early in January after the municipal election in November the year before. The political parties and independents join alliances and the largest group(s) appoint the mayor. Apart from being head of the city council, he/she also functions as head of the municipal administration. The Danish municipalities also have a city manager (CEO), who is appointed by the municipal council on a permanent basis, and the CEO is responsible for all administrative matters, incl. working conditions, the structure of the administration and the handling of cases.

The local government elections are fixed to take place every fourth year on the third Tuesday in November. Normally, local elections are not coinciding with national or EU elections, as the issues are quite different.

There is legally no provision for recall or re-elections of the local government and the councils are expected to serve the entire period of four years. Should a need for replacement of a member occur, this would take place within the same electoral list by appointment of the personal substitute.

The Danish mayor cannot be fired by a majority in the council against him. Only in case he commits and is sentenced for a criminal offense can he be fired.

d) The electoral system

The electoral system of the Danish local government is strictly proportional. The citizens can either vote for a candidate or a party and puts only one cross on the voting ballot.

e) Indicators on citizen attitudes

On national level, however, these attitudes are more often collected in different polling surveys. On the local and municipal level, there are rarely surveys on the political attitudes of the citizens.

2.2 Citizen participation

a) Turnout in local elections

The turnout for the election for the local governments in Denmark has since 1970 been stable, with an average of 70%. In 2001 the turnout was extraordinary high (85%), due to the fact that the general election took place the same day. Average turnout for this election is 85% and for the election of the European Parliament it is 48%.

Turnout at local elections:

Year of election	1970	1974	1978	1981	1985	1989	1993	1997	2001	2005
Turnout in %	72.6	62.9	73.2	73.3	69.8	67.6	71.2	70.1	85.0	69.4

b) Procedures of direct democracy

Local councils can arrange advisory referendums in accordance with the Local Government Act. Referendums can be held on the day of election or any day deemed appropriate by the local council. Recently, a number of local councils used advisory referendums in connection with the new Danish Local Government reform. Referendums were used to assess local opinion on potential amalgamations with neighbouring municipalities.

Local councils experiment with different models of advisory committees in connection with formulation of local development plans, discussions on user payment/taxation versus service delivery etc. It is a practise that is not prescribed by any law or regulation. Some of these committees are open for anybody who would like to participate; Others are established through personal invitation based on selection by a research institute. The latter is made to

ensure that the advisory committee is truly representative, and recommendations from such committees are perceived to be more dedicated than in the open model.

c) Democratic forms below the municipal level

There is no constitutional or legal obligation towards establishment of sub-local councils nor does the Constitution or the Local Government Act prevent such establishments, should the local council wish to do so. Presently, there is no practise in Denmark on the use of directly elected sub-local councils. An experiment was launched some years ago in Copenhagen City with the establishment of four elected sub-local councils. At the following local council election, an advisory referendum was held on the extension of the sub-councils. A large majority voted 'no' and the sub-councils were abandoned again. Copenhagen City is now establishing twelve sub-councils consisting of a mix of political appointees and representatives from local institutions and organisations. It is considered vital to have these sub-councils to enhance the contact between the city council and the population in different parts of the city.

d) New practices

Approximately nine out of ten private homes have access to the internet, mostly broadband connections. This provides Local Councils with a great potential for e-governance practises and a lot of resources are spent on development of web-based information, communication and on handling of cases. Establishment of local council web-pages as well as physical one-stop-shops are compulsory and supplement each other in delivery of information and administrative services, - e-communication and e-services increasingly on an interactive basis. Some local councils are experimenting with citizens IT panels established along the principles described above. These web-based discussion forums represent a unique platform for citizens' participation in local governance. Modern families have little time for meetings and political work and IT panels provide a venue where citizens can participate independently of location and time.

3 General issues

a) Central government structure regarding local government matters

Ever since the first Constitution was passed in 1849 there has been a special ministry with responsibility for local government – the Ministry of the Interior. This is now renamed the Ministry of Welfare.

b) Constitutional guarantees of local self-government

There are no guarantees of local self-government except the fact that the Constitution says that we must have “municipalities”. But the Constitution does not say anything about how the system of local government is to be organised.

The municipalities and the regions are allowed to take on any task of their concern as long as it does not fall under the national government or another municipality/region. Furthermore, any administrative procedure must be in accordance with national laws.

The local authorities’ right to manage their own affairs, under state supervision, is laid down in the Constitution of 1849 – the first free constitution in Denmark. Paragraph 82 has been unchanged since then “Municipalities’ right to manage their own affairs independently, under state supervision, shall be laid down by statute”.

c) Legislation on local government?

The local government falls under the parameters of the National Parliament with the Government to implement new laws. Using the principle of delegation, the Government and ministers can issue binding guidelines and circulars.

3.2 Supervision of local government

a) Oversight

The Ministry of Welfare is represented at regional level by 5 so-called “regional administrative authority officers” with responsibility for legal supervision of municipalities and regions. They control that the municipalities and regions work within the laws. The municipalities and regions are governed by the same Local Government Act and they have equal status, incl. the capital of Copenhagen. The capital, however, has a special political and administrative organisational

management system.

The ombudsman supervises the overall public administration. According to the Local Government Act, municipalities and regions must undergo "independent audit" for their financial accounts. This audit also includes control of administrative procedures.

b) Dismissal, revocation and dissolution?

Local governments have never been dissolved, but can, and have been, put under "close monitoring" by the Minister of Welfare, if the municipality cannot live up to its financial responsibilities, e.g. if it has liquidity problems. In this case, the municipality cannot dispose freely of its budget until the financial situation has been improved.

A member of the local council or the regional councils can only be dismissed if he/she breaks the law.

c) Centrally sectoral bodies and impact on local government responsibilities

Almost all areas of local government responsibility have national counterparts. In some areas, especially where the tasks are heavy or very complicated, the state plays a more influential role, e.g. regarding environmental planning, food and veterinary control.

3.3 Protection of local self-government rights and interest

a) Judicial remedies

As Denmark has no constitutional or administrative courts, municipalities and regions have general access to have cases tried at the ordinary civil courts.

b) National institutions representing local government

There are no formal national institutions deemed to represent local government interests with respect to the central government.

c) Associations of local government

Municipalities are represented by LGDK, the national association of municipalities that has approx. 400 employees. Regions are represented by the Association of Regions with 125 employees. Municipalities and regions are members of their

respective associations on a voluntary basis – none the less all are members and pay their membership fees in good order.

In addition, the employees of municipalities and regions are organized in professional associations (not labour unions) – like the association of CEOs, finance directors, personnel managers, heads of social departments, technical directors, etc.

LGDK as an example provides services to members in a number of fields: information, trouble-shooting, networking, training and education. Some services are for pay (those that relate to individual municipalities), whereas others are for free (those with problems of general interest), and some are in-between (subscription services e.g. update on specific legislation).

LGDK is a very influential organisation, by critics sometimes considered a “second chamber”. LGDK is heard on all legislation of relevance for the affairs of municipalities and negotiates about the overall finances of municipalities every year with the Ministry of Finance. LGDK cooperates closely with many ministries on improvement of the public administration system in order to facilitate efficient administration by its members. LGDK has established a big network with participation of representatives of most municipalities in Denmark. These networks cover all key activity fields of municipalities and are an extra resource in LGDK’s work.

The existence of many national inter-municipal companies, created and governed by LGDK, adds to the influence. Of these can be mentioned Kommunedata (LG IT company), Kommunekemi (LG chemical treatment plant), Kommunernes Gensidige Forsikringsselskab and Kommunepension (LG insurance and pension insurance companies), and Kommunernes Revisionselskab (LG financial audit company). Over the last 10 years, several of these companies have been sold, either forced by legislation (as a fight against monopoly situations) or competition.

d) Conflict resolution procedures and practices

Denmark is a country of consensus. Much time is spent on discussions in political parties in order to harmonize viewpoints. When conflicts emerge in the local government field, the first judgement is to find out if the conflict is politically based or of administrative nature. If it is of political nature, the political party representatives of LGDK’s management institutions will be brought into play, maybe in consultation with their national “mother parties” with a view to finding workable compromises. It took LGDK’s political board 14 meetings over 1½ year to agree on the latest LG reform, and it led to 2/3 of all existing municipalities

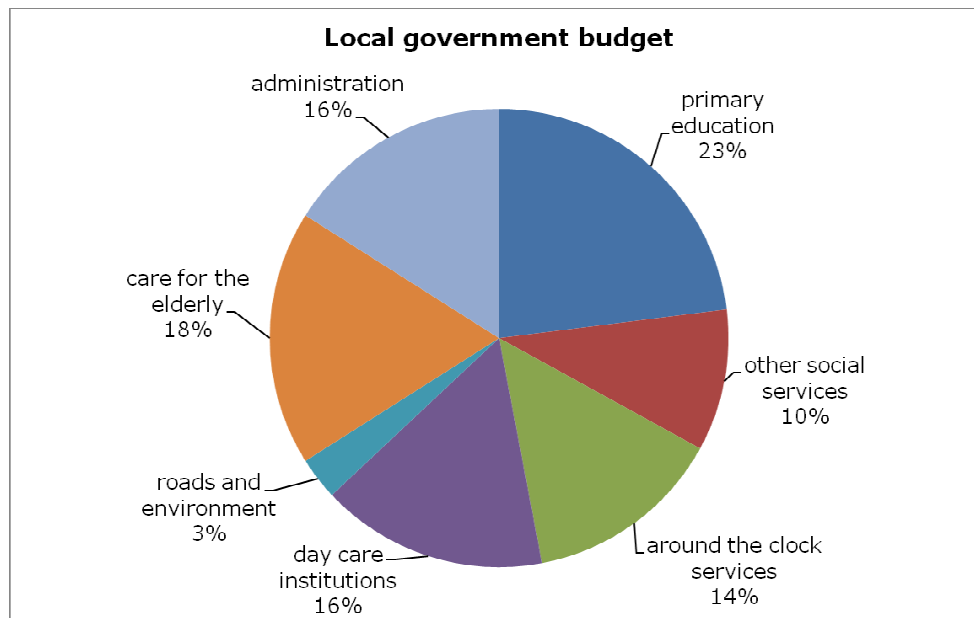
being abolished. If the problem is of administrative nature, the conflict will be presented for relevant administrative specialists in order to find a solution that can be supported within existing laws and regulations.

4 Local responsibilities (functions)

a) Main functions and distribution of power (in budgetary terms)

Most welfare tasks have been devolved to local governments during two major local government reforms in 1970 and 2007, respectively. The current relative distribution of expenditure in local government budgets is illustrated below. Most local government functions are carried out with full discretion, except for a handful of social security benefits (old age pensions, in particular), where central government covers a share of the costs. The most recent reform has strengthened the level of municipal autonomy even more. Examples of fully developed functions due to the latest reform include planning and environment, where spatial planning, environmental control and water management were entirely devolved to municipalities from a split responsibility between counties and local governments. Other examples are the specialized round-the-clock service centres dealing with psychiatric care and children's care, formerly also county functions. Road management is now mostly a municipal responsibility covering 90% of the Danish roads.

The municipal budget as of 2007:



b) Highly decentralised functions

All tasks mentioned above are highly decentralised. This includes primary

education, social welfare services, health, utilities, environment and spatial planning, and road management.

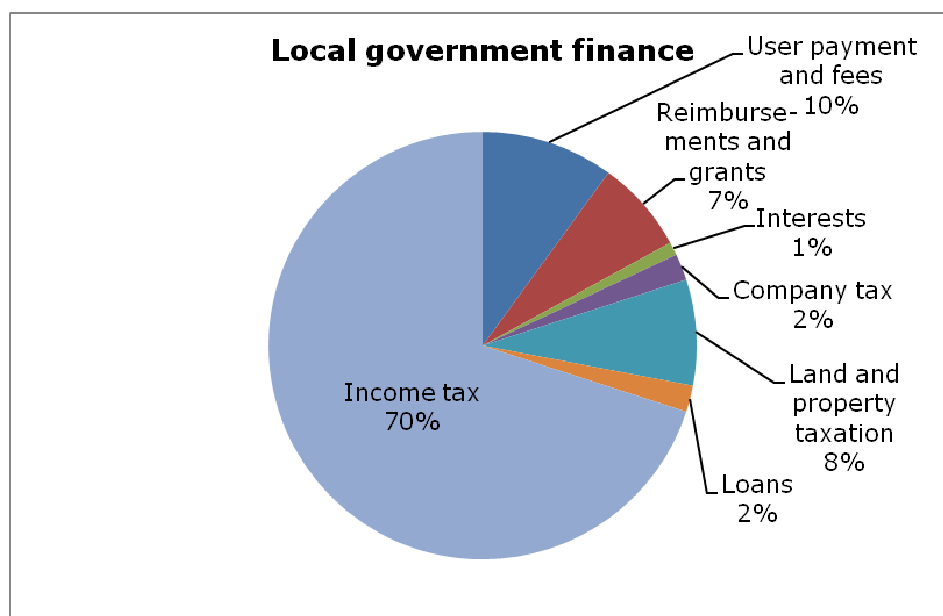
c) Highly centralised functions

Food control has become a fully centralised function despite two comprehensive local government reforms. Other functions centralised during the recent LG reform include tax administration, which was a shared responsibility before the reform and now is a fully centralised function under the Ministry of Taxation. Management of secondary schools is another function, which was centralised before the reform from being a county function to being a responsibility under the Ministry of Education, although governed by the self-governing setup working under contract with the ministry.

5 Local Finance and Management

5.1 Local government incomes

Danish municipalities receive revenues from income and profit taxes, property taxation, the central government grants and fees paid by the citizens for specific services. The income tax is by far the most important source and amounts to 70 per cent of the total municipal revenues, while property taxes (land and buildings) amount 8 per cent. The municipal councils themselves decide the tax rates within some limitations set by regulation and by the result of the yearly negotiation between MoF and LGDK.



The diagram above shows numbers of 2007

For public utilities (heating, electricity, gas, waste management and water supply) the legislation stipulates that the municipality has the responsibility for the services being provided, but the municipalities can decide on how the provision is organized, i.e. by creating municipal companies, by contracting out or total privatisation of the service. No matter who provides the service, this must be done by separate companies with the costs of the services being covered by fees.

For some municipal services, mainly day care services and institutions for elderly,

the municipality pays approximately 70 per cent of the costs, while the users pay the remaining part in monthly fees. Central government has limited the user pay for political reasons.

Danish regions are financed directly by a central government grant and by a small contribution directly paid by municipalities when citizens are hospitalised. All Danish inhabitants pay a recent introduced health tax (8 percent of the taxable income) to the central government which partly finances the central government grant to the regions.

5.2 Local government personnel and management

a) Local government personnel

Number of employees and Danish municipalities and regions (2007) (calculated as full-time employees)	
Municipalities	438,567
Regions	116,339
Total	554,906

With a total active work force of 2,875,000 persons(2007), the number of municipal and regional employees comprises 19.3% of the total work force.

The employees are employed either as public servants or contract employees. The trend has for many years been towards contract employment and the situation today is as follows:

Number of employees and Danish municipalities and regions per type of employment form (2007)		
	Public servant	Contract
Municipalities	41,253	397,314
Regions	6,130	110,209
Total	47,383	507,523

The municipal staff has the following overall educational qualifications (2007):

Short presentation of the qualifications of municipal staff (2007)	
Academics	21,7 %
Medium-term education	30,7 %
Short education	38,4 %
No special education	9,1%

The qualifications of the regional staff are higher as most staff is concentrated in and around hospitals and advanced health care.

b) Integrity of elected officials and personnel

Denmark is No 1, jointly with Sweden and New Zealand, on Transparency International's Corruption Perception Index for 2008, with a CPI score of 9.3 and a confidence range of 9.1-9.4

Over the last 20 years, only two mayors have received jail sentences for breaking the laws, and very few administrators have committed crimes in their jobs.

c) Management reform

The Danish public sector management culture has been influenced by the private sector and New Public Management.

During the last 3 years, the work has manifested itself in the production of various guidelines and assessment instruments to improve public management. In this context it is relevant to mention the following:

Codex for Good Public Administration Management (by Forum for Public Governance, LGDK and The Association of Regions (AoR)).

Codex for Good Management in Municipalities and Regions (by LGDK and AoR)

Tool to Measure Good Public Administration Management (by Forum for Public Governance, LGDK and AoR).

In addition to this, LGDK and LGTC¹ have in 2007-08 developed a new education for managers in municipalities and regions.

Privatisation is first and foremost used in service delivery.

For municipalities, the Danish Government has concluded an agreement with LGDK stating that by 2010 the amount of private sector involvement in municipal service delivery should reach a level where 26.5% of the municipal budgets within selected areas should be spent on private operators.

As for regions, many new private hospitals have been established, facilitated by the Danish Government's policy forcing public hospitals to provide guarantees for treatment within a certain time period for various illnesses.

To improve public management and service delivery, the Danish Government in 2007 launched a major Public Administration Quality Reform, entailing a total of 180 projects within 8 different thematic areas. The initiative includes both investments and improvement of management practises and has an intended duration of 10 years.

¹ LGTC = Local Government Training Centre, also called the Centre for Competence Development

6 Recent finished and ongoing Public Administration Reform initiatives

a) Local and regional government reform (2003-07)

This is the most comprehensive and profound reform in centuries and brought with it changes in structure and numbers of municipalities, change of counties into regions, a review of division of public administration tasks and municipal one-stop-shops providing access to the whole public sector were introduced and implemented.

b) Public sector is to be leading in information and communication technology, over the next years.

c) The Public Administration Quality Reform (2007-ongoing).

The government made 180 proposals for the whole public administration sector within a number of priority areas.

- Huge investments were made, to better welfare towards 2018
- A quality fund was established for improvement of services 2008-2011
- Development of quality standards securing high quality in care for elderly, childcare and healthcare was initiated.

Furthermore LGDK initiated 18 core projects which are relevant for the Local government sector within four of areas: management, attractive workplaces, delivery of quality services, and documentation of results.

d) Reform of the system of local and regional financing (2006-2007)

This reform brought with it changes in the equalisation system, the tax system and initiated municipal payment for regional services.

e) Greater "marketisation" and Public Private Partnership (PPP)

Within selected areas, no less than 26.5% of the municipal budget must by 2010 be spent for payment of services from private operators.

Moreover the Government will co-fund municipal and regional PPPs in 2008-2009

f) Leadership and management in the public sector

Several initiatives are taken:

- Development of a codex for good public administration management 2005
- Development of a codex for good management in municipalities and regions 2008
- Development of a tool to measure good public administration management 2008
- Development of a new management education for the municipal sector

g) Free choice of public service institutions (2000-ongoing)

Citizens should be able to freely choose primary and secondary schools, provider of food supply and cleaning to the elderly in their homes and general practitioner.

In addition to hospitals, a guarantee for maximum waiting time for patients with critical illnesses was announced and it was decided that if public hospitals cannot ensure treatment within this period, the patient can be treated at a private hospital.

h) "Flexicurity" – a flexible and stable labour market

This initiative is to ensure the following:

- Flexible rules for hiring and firing
- Extensive unemployment benefits
- An active labour market policy (more employees)
- Incitements for active job seeking.

i) "Globalisation Strategy" (2006-2015)

A globalisation fund has been established to fund R&D, innovation and entrepreneurship and to ensure that more students finish upper secondary or

tertiary educations, and enhance adult vocational training.

j) University education (2006-2007).

25 universities/research institutions merged into eight universities and 3 state research institutes. This was to increase competition for funds.