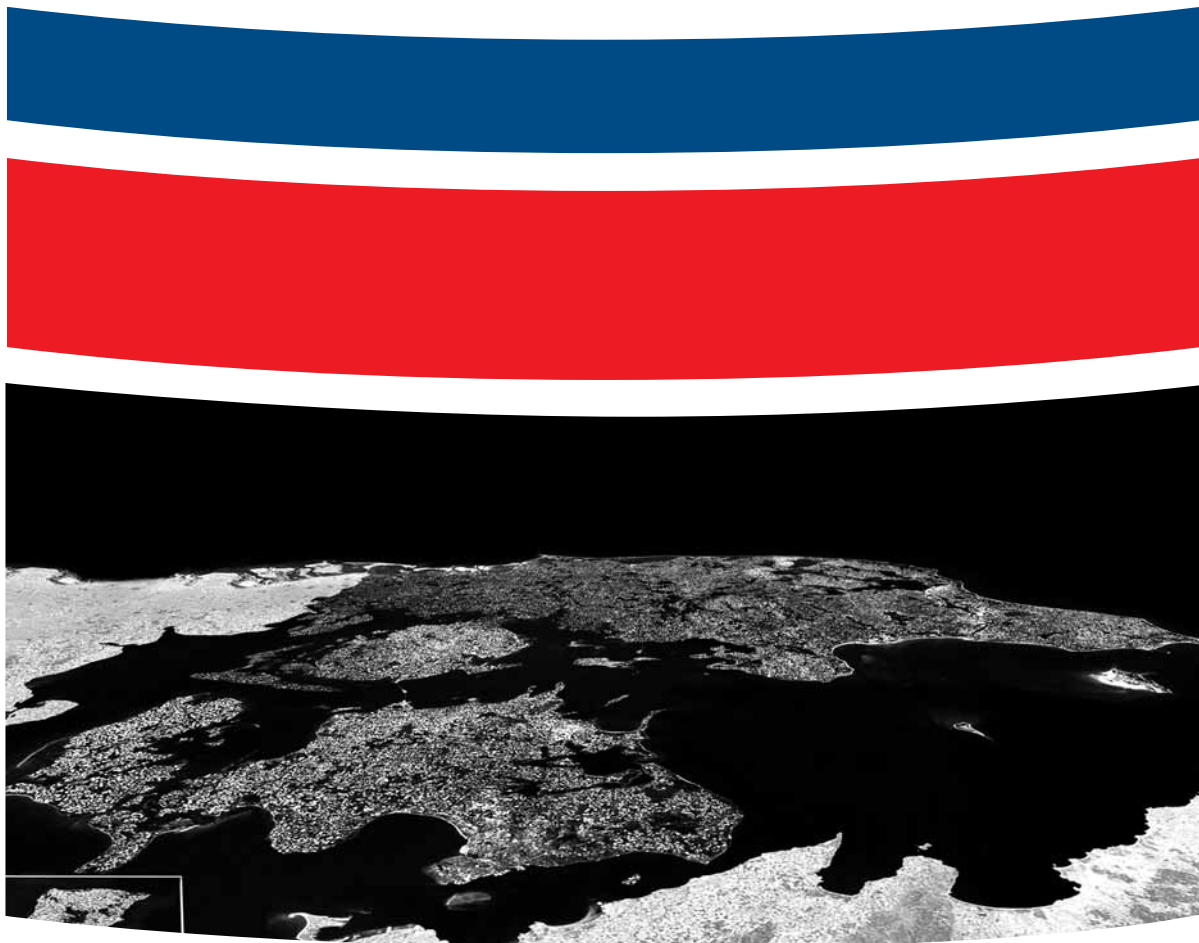


THE LOCAL GOVERNMENT REFORM

– IN BRIEF



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Preamble

A new Denmark is taking shape. 98 strong municipalities and five new regions will provide better service for the citizens, and the public sector has more than ever before been adapted to the needs of the citizens.

In other words, the purpose of the local government reform is to create a new Denmark where a strong and forward-looking sector solves tasks efficiently and as close to the citizens as possible. Citizens in Denmark will experience an even better and more consistent public service.

It is an ambitious goal. But it is also an ambitious reform. A reform which is the result of exhaustive preparatory work. A reform that will require a major effort from politicians and employees in municipalities, regions and the state.

I am looking very much forward to the reform becoming a reality. The local government reform is the largest overall reform of the public sector in our generation. We will get a new map of Denmark including 98 municipalities and five regions. The larger and more sustainable municipalities will be responsible for most of the welfare tasks and they will become the citizens' main access point to the public sector. And the new strong regions will create a sound basis for reaching the goal of a world class health service.

This publication will provide the reader with an outline of the local government reform. It is useful. The reform affects us all when we participate in local democracy and when we need public assistance or service regardless of whether it is health care, tax assessment or an environmental approval.

Enjoy your reading!

Lars Løkke Rasmussen

December 2005

Chapter 1

Creation of the Local Government Reform

The last time Denmark implemented a local government reform was in 1970. In the following years the public sector gradually became more decentralised. Appointment of the Commission on Administrative Structure in October 2002 was the start of a new local government reform, a reform that consists of three main elements: A new map of Denmark including new municipalities, a new distribution of tasks and a new financing and equalisation system.

The local government reform in 1970 and in the following years

The foundation of the Danish local government (until 2007) was established with the local government reform in 1970. Before 1970, Denmark was divided into 86 boroughs and approx. 1300 parishes within 25 county council districts (see *Box 1.1*).

Box 1.1 Local Government Reform in 1970: Why?

The division into approx. 1300 parishes and 86 boroughs dates back to a time when the distinction between the city and the country was sharper. One of the most important reasons for the reform in 1970 was that buildings in the boroughs in many places had spread across the boundaries to the neighbouring municipalities.

Another decisive factor for the reform was that the majority of the parishes were too small to solve tasks for the local citizens and therefore had to cooperate with other municipalities. This applied to for example schools. In many of the smaller parishes there were no employees to handle the actual administration and the work was performed by elected representatives. This situation restricted local autonomy and it also meant that the state paid for and decided more and more.

With the local government reform in 1970, the number of counties was reduced to 14 and the number of municipalities to 275. This created the basis for restructuring the distribution of tasks and cost burdens from the state to the counties and municipalities.

First, municipalities and counties acquired more influence and more tasks within social services and health care. The transfer of tasks continued after 1970. In 1973, counties became responsible for local upper secondary schools and state upper secondary schools and courses were transferred to the counties in 1986. In 1999, the municipalities took over the responsibility for integration from the state. The period after 1970 was characterised by a smooth decentralisation of the public sector.

The continuous transfer of tasks to counties and municipalities should be seen in relation to a concurrent restructuring of the financial system between the state, counties and municipalities. Previously, the state mainly financed local government expenditure through reimbursements. After the local government reform in 1970, a major part of the reimbursements schemes were replaced by general state grants – the so-called block grants and financial equalisation schemes between the rich and the poor municipalities were expanded.

These changes provided a better correlation between the decision competence and the financial responsibility of municipalities and counties as they were in charge of the funds to finance any services that the district council or the county council decided.

After 1970, ongoing deliberations and activities were taken place to adapt the structure of the public sector to new demands and problems arising as a result of the development of the welfare society and the increased decentralisation. Various municipalities in Denmark worked on the possibilities of merging. On Bornholm, Langeland and Ærø, a decision was made on the basis of local referendums to have one municipality on each island (Bornholm from 1 January 2003, Ærø from 1 January 2006, Langeland from 1 January 2007).

The local government reform takes shape

On the basis of the increasing debate on the structure of the public sector, the government established a Commission on Administrative Structure in October 2002. The Commission on Administrative Structure consisted of representatives from local governments, ministries and people with a special expertise within the area. The Commission on Administrative Structure was charged with the task of assessing *“advantages and disadvantages of alternative models for the structure of the public sector and on this basis to make recommendations for changes that would remain sustainable for a number of years”* (the Commission’s Terms of Reference).

In January 2004, the Commission on Administrative Structure concluded that a reform of the structure of the public sector was required, cf. *Box 1.2*. The conclusion was partly based on the fact that the size of the counties and municipalities was insufficient for proper task performance and partly that the distribution of tasks in the public sector in various areas was inappropriate.

The Commission on Administrative Structure made six models for the structure of the public sector, describing advantages and disadvantages of the six models, but without recommending any specific model.

Box 1.2 The Deliberations and Recommendations of the Commission on Administrative Structure

“It is the Commission’s overall assessment that there is a need for a reform of the structure of the public sector.

The weaknesses of the current structure are partly the size of the municipalities and counties and partly the distribution of tasks between the state, counties and municipalities.

- A major part of the current administrative units are too small considering the performance required by the legislators today.
- In a number of areas it is difficult to ensure a consistent and coordinated effort. The problem is mainly based on the fact that responsibility for some tasks has been divided between several decentralised administrative units. The result is a risk of “grey zones”.
- In some areas there are problems due to parallel functions/tasks in several administrative units. This makes it more difficult for the administrative units to coordinate and prioritise task performance and to improve efficiency and quality.

The Commission recommends a total reform of the public sector, including a change of boundaries and transfer of tasks between the state, counties and municipalities.

(Excerpt from the Recommendation of the Commission on Administrative Structure)

After publication, the government submitted the recommendation of the Commission on Administrative Structure for a public hearing inviting everyone to express their opinion. Al-

most 500 organisations, counties, municipalities, associations and individuals made use of this opportunity.

In April 2004, the government (the Liberal Party and the Conservative Party) presented its proposal for a reform of the structure of the public sector "The new Denmark – a simple public sector close to the citizen", based on the analyses of the Commission on Administrative Structure and on the hearing of the recommendation. The proposal subsequently formed the basis for negotiations between the government and the other parties of the Folketing. In June 2004, these negotiations resulted in an agreement on a reform between the government and the Danish People's Party (the structural reform), cf. *Box 1.3*.

The structural reform contained the criteria for a new division of municipalities and regions and a new distribution of tasks between municipalities, regions and the state. Finally, the agreement included a decision regarding a financing and equalisation reform.

Box 1.3 The Purpose of the Local Government Reform

"The purpose of the reform is to maintain and develop a democratically governed public sector with a sound basis for continued development of the Danish welfare society.

Therefore, the decentralised public sector, which is a distinctive Danish feature, needs to be designed in such a way that it can meet future requirements by creating sustainable units with a clear responsibility to provide high quality welfare service to the Danish population.

Larger municipalities can provide the basis for improved task solution where more welfare tasks are solved locally and democracy will be strengthened as more political decisions are made locally."

(Excerpt from the Agreement on a Structural Reform made by
the government and the Danish People's Party)

On the basis of the Agreement on a Structural Reform, 50 bills were prepared during the autumn of 2004 (see *Appendix 2*). The bills were submitted for a public hearing on 1 December 2004 and the hearing resulted in 2300 responses.

The bills were submitted to the Folketing on 24 February 2005. During the debate in the Folketing in the spring of 2005, the ministries answered 1739 questions from committees

regarding the 50 bills. At the final voting, about half of the bills were approved by the government (the Liberal Party and the Conservative Party) and The Danish People's Party and by several of the other parties in the Folketing.

The bills become reality

From the adoption of the bills to the commencement of the local government reform on 1 January 2007, preparations will be made in the state, counties and municipalities to implement the new geographic division and distribution of tasks. Tasks must be organised within the new authorities, buildings and materials must be transferred and thousands of public employees will have new employers. The overall estimate is that public employees, approx. 170,000 full-time equivalents, will have a new employer as a result of the local government reform. However, only a minority of these people will physically have to move to another workplace.

Basically, the principle applies that buildings, material and public employees follow the task. In other words, employees, who are exclusively or mainly involved with one task, which is transferred to another authority, move to the authority in question. Buildings, equipment, etc. that are exclusively related to the performance of one task will likewise be transferred to the authority who will become responsible for the task in question as per 1 January 2007.

The same principles will apply to public expenditure. Changes in the distribution of tasks are made on the basis of the principle that the reform must be neutral in terms of expenditure and that funds follow the tasks (see *Box 1.4.*) This means that tasks are moved whilst maintaining the current service level. This also means that the expenditure of the counties, which will amount to approx. DKK 100 billion in 2006, will be distributed between the authorities that take over the responsibilities of the counties in connection with the reform, i.e. the municipalities, regions and the state.

Box 1.4 Funds Follow the Tasks

"The parties agree that the reform should not result in higher taxes or increased public expenditure. Changes in distribution of tasks will be made based on the principle that the reform is neutral when it comes to expenditure and the funds follow the tasks. This should ensure that the authorities taking on new tasks will be compensated by the authorities giving up the tasks."

(Excerpt from the Agreement on a Structural Reform made by the government and the Danish People's Party)

The government, the National Association of Local Authorities and the Association of County Councils in Denmark have agreed on a distribution of county expenditure to the effect that DKK 12.5 billion go to the state, approx. DKK 59 billion to the regions and approx. DKK 29 billion to the municipalities.

Merging costs and synergy effects

The fact that the local government reform, in general, should be neutral in terms of expenditure does not mean that there are no costs involved in merging municipalities and creating new regions. But these costs very much depend on how the individual municipalities and regions plan the processes.

The municipalities have to bear the costs of the mergers. But they can keep whatever they gain from the synergy effect. In this way the local government reform encourages the municipalities to keep costs down and also to gain as many benefits from the synergy effect as possible (see *Box 1.5*).

Box 1.5 What are the Benefits of the Synergy Effect?

Benefits from the synergy effect are savings obtained from merging two units.

The saving is a result of the fact that the same task does not have to be performed in two places – e.g. wage administration or customer service – or the possibility of economies of scale. It could – in a very simplified version – be compared with the situation when a couple moves into a flat or a house together and save money because they only need one subscription to the newspaper, one telephone and a joint insurance.

The reduction of the number of local politicians alone will lead to a reduction of remuneration of local politicians amounting to approx. DKK 365 million annually from 2007. This saving alone can finance interest and payment over five years on loans amounting to approx. DKK 1.7 billion (with an interest rate of 3%).

Naturally, it is difficult to assess the exact level of expenditure involved in implementation of the local government reform. In connection with the legislative process in the Folketing, the Ministry of the Interior and Health estimated costs for the municipalities at almost DKK 1.2 billion, including approx. DKK 750 million for IT adjustments, approx. DKK 175 million for relocation, approx. DKK 75 million for employee reorganisation and approx. DKK 175 million for remuneration of integration committees in 2006. This estimate is based on experience from the merger of municipalities on Bornholm.

As the non-recurrent expenditure falls due before it is possible to gain the benefits of the synergy effect, loan facilities of DKK 1 billion and DKK 500 million, respectively, have been made available for certain non-recurrent costs in municipalities and counties/regions in connection with the local government reform. This loan facility should be seen in relation to the restructuring funds that the municipalities and counties already have available for the implementation of the local government reform.

Integration and preparation committees in 2006

In order to ensure proper preparation of the merger of municipalities, the district councils elected in the merged municipalities as a result of the local government election on 15 November 2005 will act as integration committees in 2006. It is the responsibility of these committees to prepare the merger of municipalities, i.e. make decisions on the administration, service level, etc. of the merged municipality. Already prior to the local government election in November 2005, the municipalities have made a major effort in preparing the merger, but the final decisions will be made by the integration committees elected in November 2005.

In order to ensure continued operation in the municipalities included in mergers, the tenure of the district council in these municipalities will be prolonged by one year until the end of 2006. Any financial decisions exceeding a certain limit have to be approved by the integration committees.

The newly elected district councils in the municipalities that are not included in a merger will commence their tenure on 1 January 2006.

The same principles apply to the new regions. Here, the newly elected regional councils will act as preparation committees in 2006 with the responsibility of preparing establishment of the new regions. In order to ensure continued operation in the counties, the tenure of the current county councils will be prolonged by one year till the end of 2006. As is the case in the municipalities, financial decisions made by the acting county councils that exceed a certain limit have to be approved by the preparation committees or by the state.

The local government reform – from idea to implementation – is shown in *Box 1.6*.

Box 1.6 Timeline of the Local Government Reform



Chapter 2

A New Map of Denmark

The local government reform has created a new map of Denmark. 98 municipalities will replace the previous 271. Counties are abolished and five regions will be created. The main guidelines for delimitation - in terms of geography and tasks – were provided for in the Agreement on a Structural Reform. This agreement also stipulated requirements regarding the size of the new municipalities. Then, it was up to the municipalities to agree on mergers to create larger and sustainable units.

Requirements regarding the size of the new municipalities

The parties behind the Agreement on a Structural Reform recommended aiming for 30,000 inhabitants when creating the new municipalities.

A minimum size for the new municipalities was set at 20,000 inhabitants. Municipalities with less than 20,000 inhabitants should therefore merge into new, larger municipalities with at least 20,000 inhabitants. Alternatively, they could enter into a (voluntary) binding partnership with neighbouring municipalities (the so-called trapdoor solution). Such a partnership should be based on a population of at least 30,000 inhabitants.

When drawing the new map of Denmark, special allowances were made for island municipalities who were given the option to enter into a binding partnership with a municipality on the mainland to be able to meet the new requirements regarding size.

A voluntary and locally anchored process

In the summer of 2004, all the municipalities were asked before 1 January 2005 to provide information on how they planned to ensure that the municipality in future would live up to the requirements regarding sustainability (size).

During the autumn of 2004, concrete negotiations regarding mergers of municipalities took place all over the country. Some municipalities were large enough to continue independently. Nevertheless, several of these municipalities chose to merge with one or more

neighbouring municipalities. Other municipalities were too small and had to merge or enter into partnerships with one or more neighbouring municipalities.

In January 2005, all the municipalities in Denmark had submitted their feedback to the Ministry of the Interior and Health. Only four of the 271 municipalities did not meet the requirements stipulated in the Agreement on a Structural Reform. They were the municipalities of Farum, Værløse, Holmsland and Hvorslev.

Agreement on the map of municipalities

On the basis of the feedback from the municipalities, the Minister for the Interior and Health initiated negotiations with the conciliation parties (the Liberal Party, the Conservative Party and the Danish People's Party) as well as the Social Democratic Party and the Danish Social-Liberal Party at the end of February 2005 regarding the new map of Denmark.

On 3 March 2005, these negotiations resulted in a broad political agreement on the new map of Denmark. The parties accepted most of the requests submitted regarding the new municipalities. However, due to strong citizen requests, local referendums (primarily in counties) were held in 12 of the "old" municipalities regarding affiliation before approval of the planned merger of municipalities.

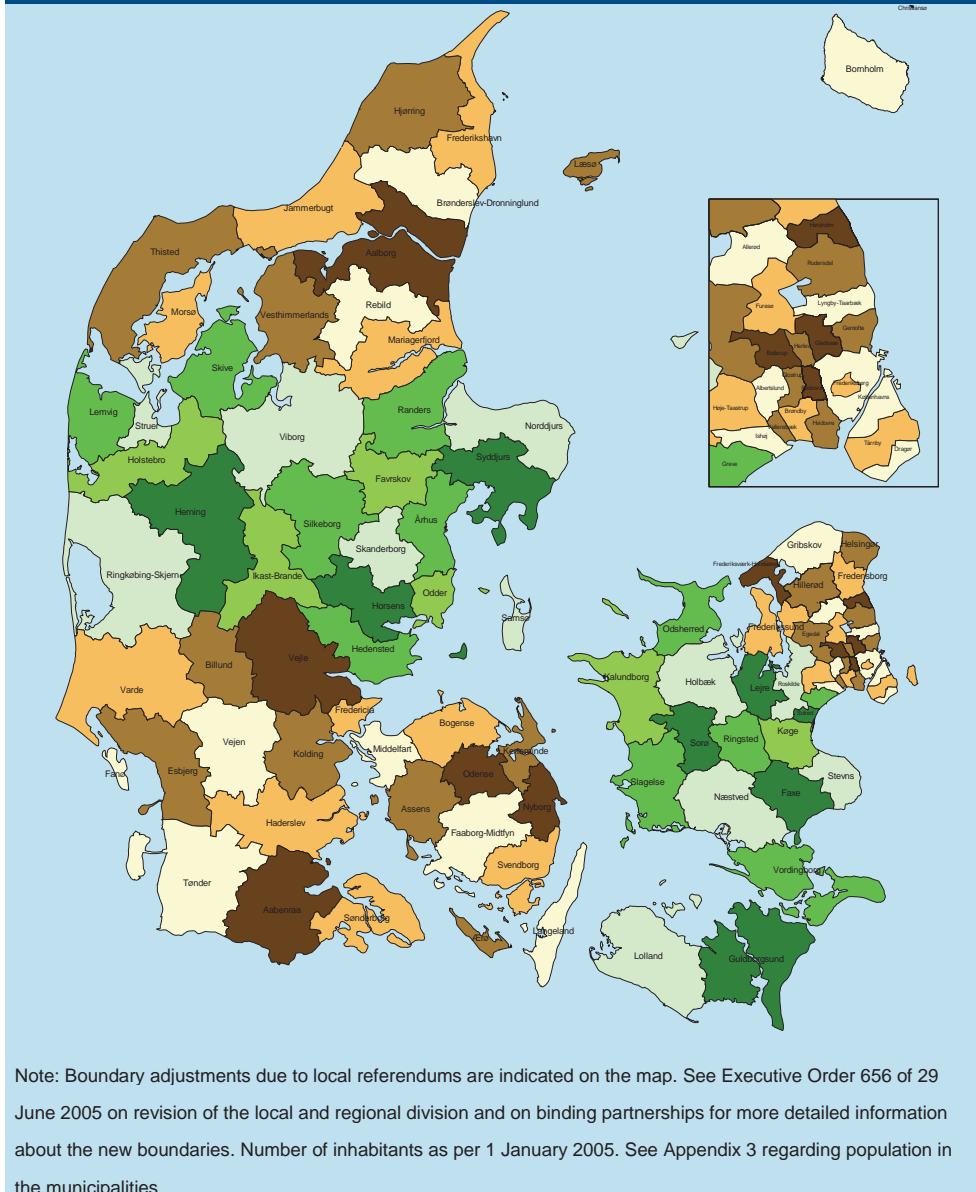
In addition, it was agreed that the Minister for the Interior and Health should enter into discussions with the three municipalities that did not meet the requirements regarding size, namely the municipalities of Farum, Værløse and Holmsland. The purpose of the discussions was to determine the special conditions to apply to the mergers in which the three municipalities were to be included.

Finally, the parties asked former Minister for the Interior, Thorkild Simonsen, to act as an arbitrator in the municipalities of Hvorslev/Langå, Aalestrup, Christiansfeld, Ikast/Brande/Nr.-Sned, Nørager, Fredensborg-Humlebæk and Give as well as Lolland. The responsibility of the arbitrator was to investigate the circumstances on which the feedback from the municipalities were based and whether the solution chosen had local support. The investigations of the arbitrator resulted in local referendums in another 12 of the "old" municipalities.

Concurrently with the local referendums and the arbitrator's visit to the municipalities, the Folketing adopted the legislative basis for the map in June 2005 as part of the legislation for the reform (see *Appendix 1*). At the same time, the new municipalities submitted proposals for new names and the number of district council members in the new municipalities (see *Appendix 3* Municipalities after the reform).

On 23 June 2005 – almost a year after the Agreement on a Structural Reform was entered into – the new map of Denmark with 98 municipalities was completed (see *Figure 2.2* and *Box. 2.1*).

Figure 2.1 The New Map of Denmark



Note: Boundary adjustments due to local referendums are indicated on the map. See Executive Order 656 of 29 June 2005 on revision of the local and regional division and on binding partnerships for more detailed information about the new boundaries. Number of inhabitants as per 1 January 2005. See Appendix 3 regarding population in the municipalities.

Figure 2.1 The New Map of Denmark

The political discussions regarding division implied:

- That the majority of the local proposals for new municipalities were approved without conditions
- That referendums would be held in 24 of the “old” municipalities prior to approval
- That the arbitrator in eight municipalities/areas should submit a supplementary decision basis for approval
- That the Minister for the Interior and Health initiated discussions with three “old” municipalities regarding the terms of a merger

The new map of Denmark with 98 municipalities was then created from:

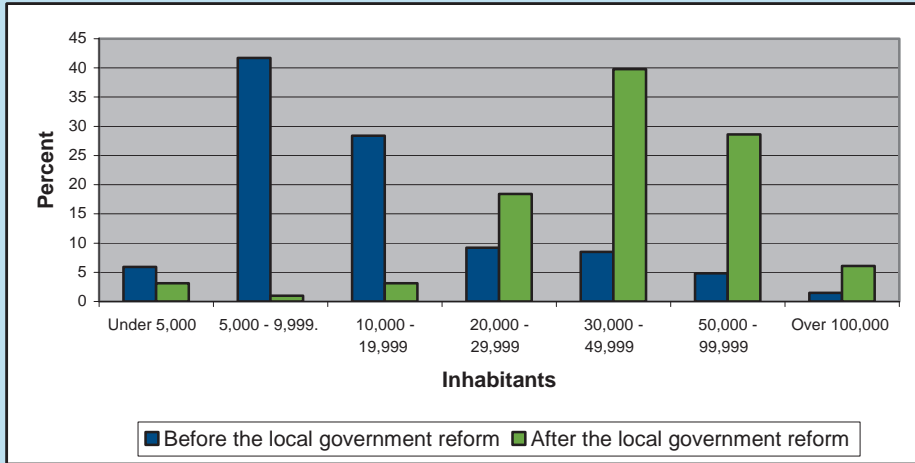
- 65 merged municipalities
- 33 unchanged municipalities. Seven of these municipalities have less than 20,000 inhabitants and therefore, they all enter into binding partnerships. Five of the seven municipalities are islands.
- 11 municipalities were divided as a result of local referendums

Municipalities before and after the local government reform

The municipalities after the local government reform are significantly larger than the municipalities before the reform. Before the local government reform, 206 municipalities (out of 271) had less than 20,000 inhabitants, but after the reform only 7 municipalities (out of 98) have less than 20,000 inhabitants. The population of the average municipality increases from just under 20,000 inhabitants before the reform to approx. 55,000 inhabitants after the local government reform.

Figure 2.2 illustrates municipalities grouped by population before and after the local government reform.

Figure 2.2 Distribution of Municipalities by Population

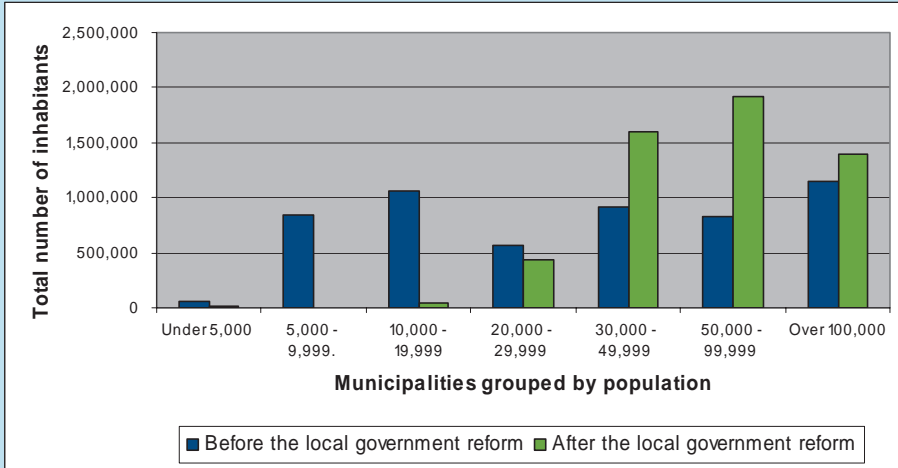


Source: Statistics Denmark, number of inhabitants as per 1 January 2005.

As shown in Figure 2.2, most of the municipalities before the local government reform had 5,000-9,999 inhabitants (42%) followed by the group with 10,000-19,999 inhabitants (28%). After the local government reform, most municipalities will have 30,000-49,999 inhabitants (40%) followed by the group with 50,000-99,999 (29%).

In the period up until 2007, more than a third of the population (1.9 million) lives in municipalities with less than 20,000 inhabitants. After the local government reform, only just under 1% (approx. 55,000) of the population will live in municipalities with less than 20,000 inhabitants. *Figure 2.3* shows the total number of inhabitants in the groups of municipalities.

Figure 2.3 Total Number of Inhabitants in the Groups of Municipalities

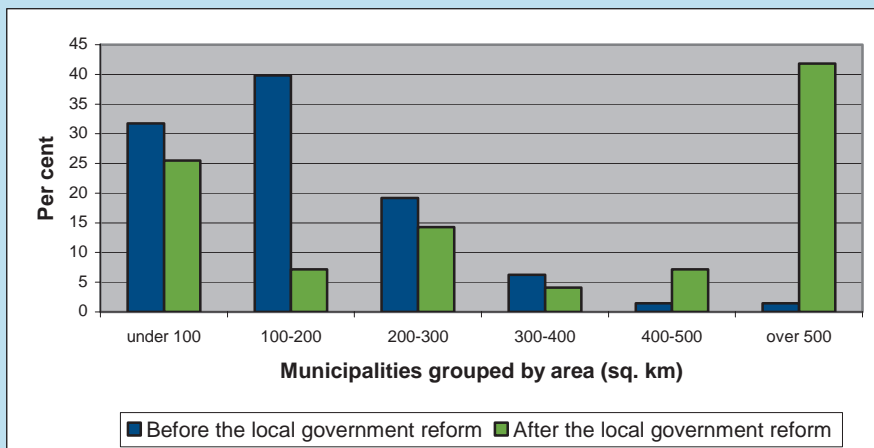


Source: Statistics Denmark, number of inhabitants as per 1 January 2005.

Figure 2.3 shows that after the local government reform approx. 3.3 million people will live in municipalities with more than 50,000 inhabitants and approx. 4.9 million in municipalities with more than 30,000 inhabitants.

In terms of land, the local government reform will result in the average size of municipalities changing from 159 square kilometres (the size of the "old" municipality of Holbæk) before the local government reform to an average of 440 square kilometres (the size of the new municipality of Svendborg) after the reform. *Figure 2.4* illustrates the area that the municipalities cover before and after the reform.

Figure 2.4 Area that the Municipalities Cover before and after the Reform.



Source: Local key figures for 2004. Boundary adjustments have not been taken into consideration.

As the figure shows, 71% of the municipalities covered less than 200 square kilometres before the local government reform. After the reform this group has been more than halved to 32%. The smallest municipality in terms of land both before and after the reform is the City of Frederiksberg covering just under 9 square kilometres. The largest municipality before the reform was Bornholm covering 588 square kilometres. After the local government reform, the largest municipality is Ringkøbing-Skjern covering 1,489 square kilometres.

Size of municipalities in Europe

A comparison of the population in municipalities in selected European countries shows that there are major differences, cf. *Table 2.1*. Like Sweden, Denmark has no municipalities with less than 1,000 inhabitants. However, more than half of the Spanish municipalities and more than 75% of the French municipalities have less than 1.000 inhabitants.

Table 2.1 Population in Municipalities in Selected European Countries

	Under 1,000	1,000- 5,000	5,001- 10,000	10,001- 50,000	50,001- 100,000	Over 100,000	Total	Average size
	Per cent						Total	Average size
Denmark 2005	0	5.9	41.7	46.1	4.8	1.5	271	19,900
Denmark 2007 ¹	0	3.1	1	61.2	28.6	6.1	98	55,200
Finland	5.1	46.3	25	20.4	1.8	1.4	432	12,100
France	76	19	2.7	2.1	0.2	0.1	36,565	1,600
The Netherlands	0.2	2.1	12.6	71.3	8.4	5.6	467	34,900
Italy	24.2	47.1	14.6	12.4	1.2	0.0	8,101	7,200
Norway	5.3	50.3	21	20.6	1.6	1.2	433	10,500
Spain	60.7	24.3	6.6	6.8	0.9	0.7	8,109	5,300
Sweden	0	4.5	21	59.7	10.7	4.1	290	31,100

Note.:¹) Municipalities with 1-5,000 and 5-10,000 inhabitants are islands and municipalities entering into binding partnerships

Source: Denmark: Statistics Denmark. Population as per 1 January 2005; Finland: Statistics Finland. Data from 2004. France: Ministère de L'intérieur. DGCL. "Les collectivités locales en chiffres 2004". Data from 1999. The Netherlands: Statistics Netherlands. Data from 2005. Italy: Istat. Data from 2004. Norway: Statistisk Sentralbyrå. Data from 2005. Spain: Instituto Nacional de Estadística. Data from 2004. Sweden: Statistiska Centralbyrån. Data from 2005.

In the majority of the countries, there are less than 10,000 inhabitants in more than 50% of the municipalities. In Sweden the proportion of municipalities with less than 10,000 inhabitants is somewhat lower (approx. 25%) and in the Netherlands there are less than 10,000 inhabitants in approx. 15% of the municipalities. After 2007, Denmark will differ from the other countries in that only approx. 4% of the municipalities will have less than 10,000 inhabitants.

In most of the countries selected, the very large municipalities with more than 100,000 inhabitants constitute 1-2% of the municipalities. The exceptions are Sweden where approx. 4% of the municipalities have more than 100,000 inhabitants and the Netherlands where approx. 5% of the municipalities have more than 100,000 inhabitants. In Denmark, there are more than 100,000 inhabitants in approx. 1.5% of the municipalities in 2005. This figure will increase to just over 6% in 2007 in connection with the local government reform.

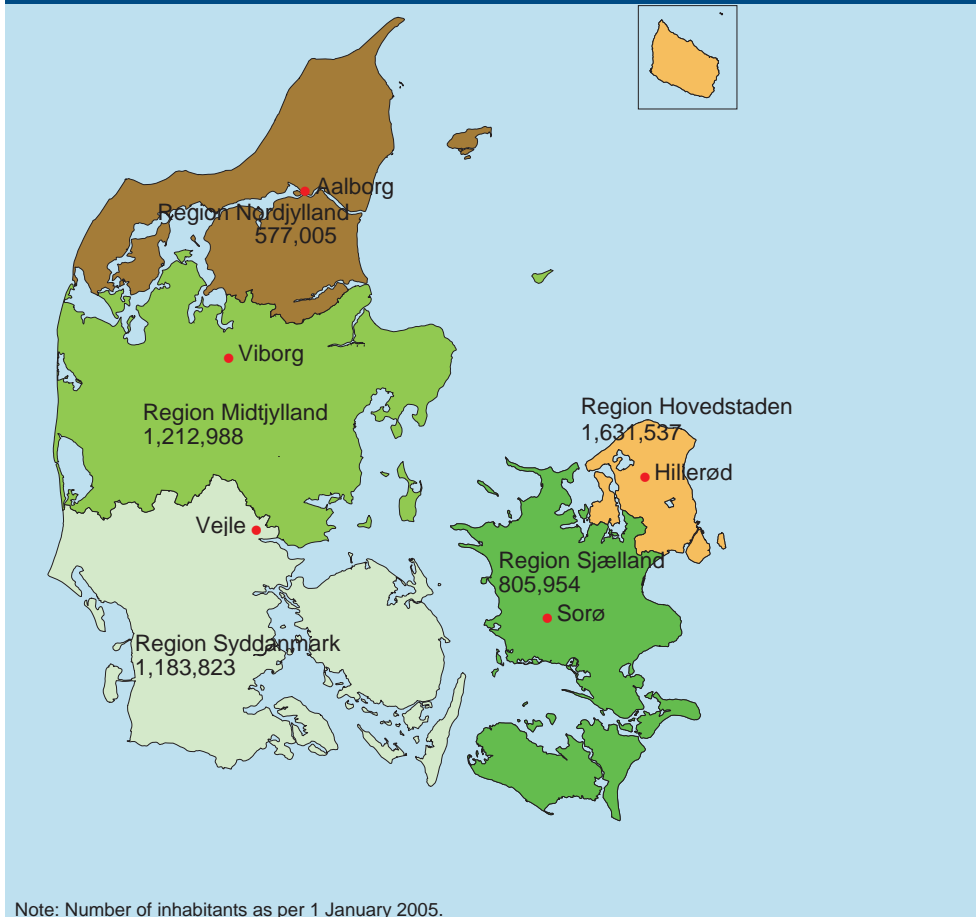
Five regions

In connection with the local government reform, the counties will be abolished. This also applies to the Copenhagen Hospital Corporation (HS) and the Greater Copenhagen Authority (HUR). Five new regions will be created with between 0.6 and 1.6 million inhabi-

tants. The regions will consequently be significantly larger than the counties with a population of almost 225,000 (the county of Ribe) and almost 660,000 (the county of Århus).

In terms of land the regions will also be much larger than the counties. The counties are between 528 square kilometres (City of Copenhagen) and almost 6,200 square kilometres (County of Northern Jutland), but the regions will be between 2,560 square kilometres (Region Hovedstaden) and 13,190 square kilometres (Region Midtjylland). *Figure 2.5* shows the boundaries of the regions and their head offices.

Figure 2.5 The Five New Regions



The majority of the counties will be included in the regions undivided. The exceptions are the counties of Viborg and Vejle. Furthermore, part of the municipality of Mariager in the county of Århus will in future be a part of Region Nordjylland (see Appendix 3). In addition, there will be a few adjustments of regional boundaries as a result of local referendums.

Chapter 3

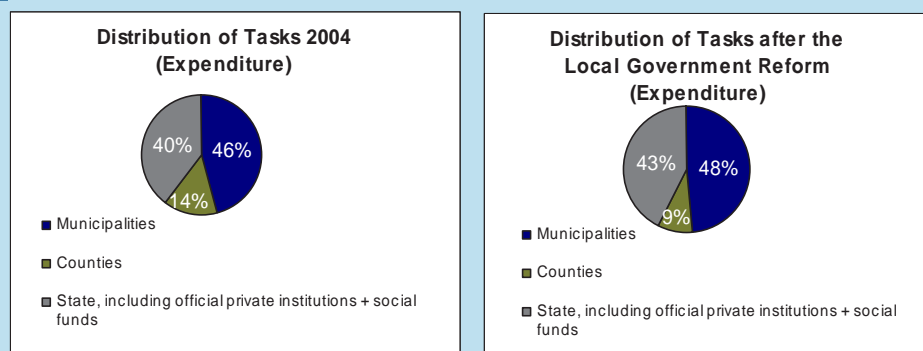
Who will be doing what in the Public Sector?

The local government reform will create a new public sector where the state lays down the general framework. The municipalities will undertake most of the citizen-related tasks. Five new regions will be responsible for health care, preparation of regional development plans and solution of certain operational tasks for the municipalities.

A new distribution of tasks in the public sector

The local government reform will result in a comprehensive reorganisation of tasks in the public sector. The tasks of the counties will be distributed between regions, municipalities and the state. Furthermore, some tasks will be transferred between the state and the municipalities. Figure 3.1 shows the distribution of tasks (distribution of expenditure) between the state, counties/regions and the municipalities before and after the local government reform.

Figure 3.1 Distribution of Tasks between the State, Counties/Regions and Municipalities before and after the Local Government Reform



Note: The distribution of tasks after the local government reform is to some extent based on estimates, including estimates of the amount of regional tasks within the area of social services and special education.

Source: Statistics Denmark and our own calculations.

The figure shows that the municipalities' share of public tasks (measured on expenditure) is expected to increase after the local government reform. However, the regional share of tasks is expected to fall and the state's share, including official private institutions, will increase.

The following is a description of the distribution of tasks in the public sector after the local government reform. The description will have special focus on the areas where there is a change of the distribution of responsibility. Regarding the increased financing responsibility of the municipalities, especially within the health care sector, please see Chapter 4.

Municipalities as the citizens' access point to the public sector

Already before the local government reform, the municipalities had undertaken a major part of the citizen-related service tasks such as care of the elderly, child care, primary school and a number of social services. When the local government reform comes into force on 1 January 2007, the municipalities will be assigned a number of new tasks within the following areas:

- Health care
- Employment
- Social services
- Special education
- Business service
- Collective transport and roads
- Nature, environment and planning
- Culture

- Cross-functional citizen service

Health care

With the local government reform municipalities will have a more important role in the health care sector. The municipalities will have the overall responsibility for any rehabilitation that does not take place during hospitalisation. Before the reform, this responsibility was shared with the counties. In addition, the municipalities will take over the main responsibility for preventive treatment and promotion of health for citizens residing in the counties. The purpose is to integrate preventive treatment and health promotion with the other local tasks in the close environment of the citizens, i.e. day care, schools, centres for the elderly, etc. Furthermore, treatment of alcohol and drug abuse will become the responsibility of the municipalities after 1 January 2007. The municipalities will also be responsible for specialised dental treatment for the mentally afflicted, etc. which currently lies in the counties.

In addition, a new financing scheme will support the performance of the municipalities within health care as they will participate in financing health care in the future. This will be described in further detail in Chapter 4.

Employment

With the local government reform the state and the municipalities will enter into binding partnerships on employment in new joint job centres in all the municipalities (except the islands).

The local job centres will be a joint access point for all the citizens and companies needing help and service regarding employment.

10 pilot job centres will be established where the municipalities on behalf of the state will help the insured unemployed find work.

Social services

Until 1 January 2007, counties and municipalities share the responsibility for a number of social service tasks. The local government reform places total responsibility for financing, supply and authority in relation to the citizen with the municipalities. The purpose is to create a clear and unambiguous distribution of responsibility and to make sure that social tasks to a larger extent are performed by qualified employees in the close environment and in correlation with the other services provided by the municipality. The change implies that the municipalities decide which services to provide to the citizens. It also implies that the municipalities pay for the services used by the citizens in the municipality. The municipalities will receive reimbursement for part of the expenditure for very expensive individual cases through a state reimbursement scheme.

The actual operation of the county institutions within the social sector will be taken over by the regions as per 1 January 2007 unless a specific agreement is made in 2006 that an institution is taken over by the municipality where it is located. All institutions for children and young people with social or behavioural problems except secured institutions will be taken over by the municipalities where the institutions are located. A municipality may, however, in 2006 make an agreement with the preparation committee of the region that the region after 1 January 2007 on behalf of the municipality continues to run an institution for children and young people with social or behavioural problems.

The municipalities can at any time take over regional tasks within the social sector that are located in the municipality. In order to ensure a continued smooth decentralisation of tasks, the liaison committee, consisting of the chairman of the regional council and the mayors of the municipalities in the region, should at least once during each election period discuss whether it would be more favourable to let the municipality take over the responsibility for a social institution.

Special education

Like in the social sector before the local government reform, counties and municipalities share the responsibility for special education. After the reform this task will belong to the municipalities exclusively. This means that municipalities from 2007 will be responsible for all kinds of special education and special pedagogical assistance for small children as part of their responsibility for schools and for special education of adults (except dyslexic adults where the responsibility will be transferred to the state and provided by adult education centres (VUC)).

Business service

With the local government reform the municipalities will be responsible for local business service. Before the local government reform the responsibility of offering business service to companies and entrepreneurs lies in 15 business centres all over the country and it is jointly financed by the state, counties and municipalities. Many of these centres currently offer comprehensive business services. The purpose of placing the entire responsibility with the municipalities is to give the new larger municipalities the possibility of providing a consistent and high quality business service based on closeness and daily contact with the business sector.

Collective transport and roads

When the local government reform comes into force, the tasks involved in local and regional public bus transport will be undertaken by new transport companies established by the regions. Each municipality participates in a transport company. Of the nine members of the executive committees of the transport companies, the regions appoint two and the municipalities seven.

The transport companies will be responsible for bus transport, fixing rates and establishing ticket systems and schedules as well as coordination and planning. The transport companies will also be responsible for private railroads and individual transport of the disabled.

On 1 January 2007, the municipalities will take over the majority of the county roads. Consequently, the municipalities will take over all the local roads (approx. 8,000 km out of a total of approx. 10,000 km of county roads).

Nature, environment and planning

The municipalities will take over most of the county tasks involving nature and environment, including environmental approval and inspection and protection of nature and streams.

In addition, the municipalities will take over the majority of the county tasks within physical planning. Consequently, local plans will become the source where citizens, companies and stakeholder organisations can acquire information about rules, goals and guidelines for the development of the towns and countryside of the municipality.

Culture

The principle of the distribution of tasks within culture after the local government reform is that the municipalities will be responsible for financial support of areas and institutions that are local or have a natural local affiliation. The purpose is to promote local commitment to culture.

Municipalities will take over a number of tasks involving relics of the past from the counties. Furthermore, it will become compulsory for the municipalities to run a school of music. After a 4-year transitional period, municipalities will take over the responsibility for the local state recognized museums (Section 15 museums) and for a number of tasks within the cultural sector that have previously been performed by the counties without the statutory obligation to do so.

Citizen service

The local government reform will enable citizen service centres (the so-called quick desks and service shops) to undertake more administrative citizen service tasks. This change will enter into force on 1 November 2005.

Consequently, it will become easier for the municipalities to establish citizen service centres so that citizens only have to go to one place regardless of which public authority or administration has the final responsibility for case handling. In these citizen service centres the municipality will be able to solve local tasks as well as tasks on behalf of other authorities.

After 1 January 2007, when applying for a passport or a driving licence, citizens will be able to submit a photo and an application to the municipality where the documents will be paid for and subsequently delivered. However, production and authority regarding the issue of passports and driving licences still lie with the police.

Box 3.1 Responsibilities of the Municipalities after 1 January 2007:

- Social services: Total responsibility for financing, supply and authority
- Child care
- Primary school, including any special education and special pedagogical assistance for small children
- Special education for adults
- Care for the elderly
- Health care: Preventive treatment, care and rehabilitation that do not take place during hospitalisation, treatment of alcohol and drug abuse, home care, local dental care, special dental care and social psychiatry
- Activation and employment projects for the unemployed without insurance in job centres run jointly with the state (10 pilot municipalities undertake the task for the unemployed with insurance on behalf of the state)
- Integration and language education for immigrants
- Citizen service regarding taxation and collection in cooperation with state tax centres
- Supplies and emergency preparedness
- Nature, environment and planning: E.g. specific authority and citizen-related tasks, preparation of local plans and plans regarding waste water, waste and water supply
- Local business service and promotion of tourism
- Participation in regional transport companies
- The local road network
- Libraries, schools of music, local sports facilities and culture

Regions

When the local government reform enters into force on 1 January 2007, the counties will be abolished and five regions will be established. The primary responsibilities of the regions will be health care, regional development and operation of a number of social institutions. These areas will be described in further detail below.

In addition, the regions will become responsible for the establishment of transport companies and certain regional tasks regarding nature, environment and physical planning. Finally, the regions will be responsible for providing and developing special education nationally and regionally and for institutions offering special education to people with a speech, hearing or sight impairment (communication centres).

Legislation delimits the responsibilities of the regions positively, i.e. the regions will not be able to undertake tasks other than those mentioned in the legislation.

Health care

The main responsibility of the regions will be health care. This task involves responsibility for the hospital service, including psychiatry and health insurance, general practitioners and specialists, etc.

The regions will take over responsibility for health care from the counties, the Copenhagen Hospital Corporation and the regional municipality of Bornholm. The purpose of establishing five regions within the health care sector is to support the quality of patient care by creating the basis for grouping treatments, exploiting the advantages of specialisation and ensuring the best possible utilisation of resources.

In order to ensure correlation between regional and local activities within health care, municipalities and regions will have to enter into binding partnerships in health coordination committees to ensure correlation in treatment, rehabilitation, preventive treatment and care. Furthermore, they must make health agreements on procedures for the discharge of the weak and elderly patients from hospitals and on preventive treatment and rehabilitation.

The regions' expenditure within the health care sector will be financed through a block grant, a state activity pool and local co-financing. This will be described in further detail in Chapter 4.

The region will be a dynamo for regional growth

The most important development tasks of the regional council will involve preparation of regional development plans and establishment of regional growth fora.

The regional development plan should include a vision of the development of the region, including cities, rural districts, fringe areas as well as nature and environment, business, tourism, employment, education and culture.

Initially, the regional council may appoint up to two regional growth fora. These growth fora consist of representatives from the business sector, educational institutions, the parties of the labour market and politicians from regions and municipalities. It is the responsibility of the growth fora to monitor regional and local possibilities of growth. On this basis a regional business development strategy will be developed that will form part of the foundation for

the development plan of the regional council. The regional council will make a secretariat available to the regional growth fora.

Social sector

The regions have a statutory obligation to provide social services to the municipalities.

As per 1 January 2007, the regions will take over operation of all the county institutions located in the region unless it has specifically been agreed in 2006 that operation is to be transferred to the municipality where the institution is located. However, all institutions for children and young people with social or behavioural problems – except secured institutions – will be taken over by the municipalities in which they are located. In 2006, the municipality can make an agreement that the region should be responsible for operation of these institutions.

In connection with the regions' statutory obligation to provide social services and special education, each region should enter into a framework agreement with the municipalities located in the region. This framework agreement will stipulate the total number of places and offers that the regional council makes available to the municipalities in the region broken down by target groups. The agreement should be supplemented by estimates of the need for regional services in the budgets for the next three years.

Box 3.2 Responsibilities of the Regions after 1 January 2007:

- Hospital service, including hospitals, psychiatry and health insurance as well as general practitioners and specialists
- Regional development, i.e. nature, environment, business, tourism, employment, education and culture as well as development in the fringe areas of the regions and in the rural districts. Secretarial service for the regional growth fora.
- Soil pollution
- Raw material mapping and planning
- Operation of a number of institutions for exposed groups and groups with special needs for social services and special education
- Establishment of transport companies throughout Denmark

State

The state generally undertakes those tasks where delegation to municipalities and regions would be inappropriate. This applies to the police, the defence, the legal system, the foreign service and Official Development Assistance, further education and research. With the

purpose of ensuring correlation and efficiency in task performance, some tasks will be transferred to the state in connection with the local government reform.

Health care

Five regions will be created within the health care sector and the competences of the central health care authorities will be strengthened within specialty planning, etc. This is to ensure a coordinated application of highly specialised resources in health care and the same level of treatment everywhere.

Social sector

In connection with the local government reform, a national knowledge and special counselling organisation (VISO) will be established. VISO will cover both social services and special education. The aim is to ensure a coherent and holistic collection and development of knowledge to be able to provide special counselling of citizens, municipalities, institutions, etc. and to create a complete view of the all the special counselling available in the country.

VISO will collect, develop and communicate knowledge to municipalities and institutions and assist municipalities, citizens and institutions, etc. with free special counselling in the most specialised and complicated individual cases, including advisory analyses when the required expertise is not available in the individual municipality or region. Within special education, VISO will only provide assistance to the examination carried out by the municipality.

VISO's special counselling and examination services will be provided by a network of specialists employed in the municipalities and regions with whom VISO has made agreements.

A portal will be established including information regarding local, regional and approved private offers within the social sector. The purpose of this Service Portal is to improve the options available to the individual citizen. Registration of offers in the Service Portal will be a condition for allowing the municipality to make use of the offer. A state inspectorate will be established to make random spot checks of the authenticity of the data registered in the Service Portal.

Employment

The state Employment Service (AF) and the employment administration of the municipalities will join forces in job centres.

In addition, the state will supervise the employment effort to ensure correlation between the national employment policy and the local effort through five new state regions (corresponds

to the regional boundaries, however Region Sjælland and Region Hovedstaden are one employment region). The four employment regions will be able to react if results fail to materialise at local level and with their own funds ensure efficient prevention and mitigation of bottlenecks and a speedy and active effort in connection with closure of large companies.

Education

With the purpose of ensuring more coherence in youth educations, the state will take over responsibility for the upper secondary school and the higher preparatory examination course from the counties. The institutions become official private property. The institutions involved in social and health care educations (SOSU) will be approved pursuant to the Act on Institutions for Vocational Training. With a view to creating improved correlation between educations for adults, the state also takes over the responsibility for the adult education centres (VUC), preparatory adult education (FVU) and general adult education (AVU), including education of dyslexics which will be separated from the special education for adults. Likewise, the nursing and radiography educations and the centre for educational aids and materials will be transferred to the state.

Taxation and collection of debt to the public authorities

Taxation and collection will become the responsibility of the state. In order to ensure strong environments and efficient task performance, the current local and state task performance will be aggregated and 30 tax centres will be established throughout the country. The merger enters into force before the rest of the local government reform on 1 November 2005. General citizen service will then be handled partly by the tax centres and partly by the municipalities, e.g. in the citizen service centres. Citizens and companies will be able to choose which tax centre or local citizen service centre they wish to use.

Collective transport and roads

The state will take over the responsibility for those train services that are not transferred to the transport companies.

In order to ensure efficient connections of transport to and from the most important traffic junctions, including harbours, airports and border crossings, the general road network will be the responsibility of the state. Consequently, the state will take over approx. 2,000 km of roads from the counties (corresponding to approx. 20% of the county roads).

Nature, environment and planning

Within nature and environment the role of the state will become stronger in a number of areas, including compliance with Denmark's international obligations and handling of major national interests and technically complicated matters.

This involves the state's preparation of binding nature and water plans, state approval and inspection of approx. 235 of environmentally problematical companies, state responsibility for monitoring nature and the water environment, protection of the coastline, the preservation of dunes and better national planning, including Greater Copenhagen.

Culture

In future, the state will take over the responsibility of subsidising a number of private cultural institutions of a national character. This covers subsidies to regional orchestras, Det Danske Teater, Den Jyske Opera, regional theatres and drama schools at the theatres in Odense and Århus and the national state recognized museums (Section 16 museums). Furthermore, the state will take over the counties' responsibility to subsidise basic music courses and school concerts. The state will also subsidise a number of local cultural institutions, i.e. the local state recognized museums (Section 15 museums), schools of music and regional theatres.

Regional state administration

State administration will take over the regional official authority from the office of the Governor of the county. Consequently, state administrations will be able to undertake such tasks which are handled more appropriately locally. They will take over the majority of the current tasks of the office of the Governor of the county. All the tasks involved in marriage proceedings, however, will be transferred to the municipalities. But the state administrations will take over all the tasks involved in adoption and court proceedings in connection with divorce. Furthermore, tasks related to family and civil law, supervision and settlement of claims as well as secretarial assistance will be undertaken by various councils, boards, commissions, etc.

Box 3.3 Responsibilities of the State after 1 January 2007:

- Police, defence, legal system
- Foreign service, Official Development Assistance
- General planning within the health care sector
- Education and research except primary school and special education
- Activation of the unemployed with insurance in joint job centres with the municipalities, unemployment insurance, working environment and overall employment policy
- Taxation and collection of debt to the public authorities
- Social services: National knowledge and special counselling organisation (VISO)
- The general road network and the state railway

- General nature, environmental and planning tasks
- Certain cultural measures
- Business economy subsidies
- Reception of asylum applicants

Chapter 4

Public Economy after the Local Government Reform

For the municipalities, the local government reform implies extra resources to finance the new tasks as the reform is implemented on the basis of the principle that funds follow the task. A financing and equalisation reform will adjust the equalisation system to the new distribution of tasks and the new local map to ensure an adequate balance between rich and poor municipalities. Regions will be financed partly by the municipalities and partly by the state. A novelty is that the municipalities are co-financing health care.

Public economy after the local government reform

The majority of the public sector revenue comes from taxes. With the local government reform the number of taxation levels will be reduced from three to two and as the regions, as opposed to the counties, cannot impose taxes, they will get their revenue from the state and the municipalities. This is a description of the economy of the municipalities and the regions after the local government reform.

Economy of the municipalities

The *revenue* of the municipalities can be divided into the following categories:

- Taxes (income tax, property tax and a share of the corporation tax)
- Operating and capital revenue (from supply companies, day care institutions and sale of land)
- Reimbursements (from the state – especially within social services)
- General subsidies (e.g. the general state grant to the municipalities – block grant – that is not earmarked for a specific purpose)
- Loans (limited by local loan sanctions)

A breakdown of the different categories before the commencement of the local government reform is shown in the table below. As shown, taxes, which are the largest individual revenue of municipalities and counties, amounted to 56% of total revenue in 2005.

Figure 4.1 Financing of the Gross Operating Expenditure of Municipalities and Counties, Budget 2005

	DKK Million	Per cent
Taxes	257,482	56
Operating and capital revenue	97,917	21
Reimbursements	37,978	8
General subsidies	57,630	13
Interest (net)	86	0
Loans (net)	4,348	1
Financial changes	1,349	0
Total	456,790	100

Note: Copenhagen Hospital Corporation is included.

Source: Statistics Denmark.

As per 1 January 2007 municipalities can take over the share of the county revenue that does not correspond to the new state health contribution. i.e. approx. 4% (DKK 27 billion in 2005). The Finance Committee of the Ministry of the Interior and Health is considering the question of transferring the county share of the income tax to the municipalities. The municipalities will also take over all the county property taxes which amounted to approx. DKK 10 billion in 2005.

For the individual municipality, however, the total amount transferred for financing of the new tasks is not the only matter of interest. It is crucial that these resources are distributed between the municipalities in a way that reflects the distribution of the new tasks (and consequently the expenditure). As there are major variations in the tax base, demography and social structure of the municipalities, a system is required (see *box 4.1*).

Box 4.1 The Equalisation System

There are major variations in the tax base of Danish municipalities which often have a very different demography and social structure. If each municipality were to finance its own expenditure, the service level and tax burden of the municipalities would therefore vary considerably.

The purpose of the equalisation system is to ensure that the same service level involves the same tax percentage regardless of the income of the inhabitants and any demographic factors.

A simplified version is that the grant and equalisation system means that money is transferred from the rich municipalities to the less affluent ones. Equalisation is not total – only part of the difference between rich and poor municipalities is equalised.

In order to ensure that the local government reform does not lead to inappropriate changes in the distribution of the cost burden between the municipalities, a reform of the grant and equalisation system that takes into consideration the new distribution of tasks and the new division of municipalities will be made.

To avoid any sudden impact on the financial situation of the individual municipality, the Agreement on a Structural Reform also includes a guarantee that no municipality will experience an annual increase of the cost burden of more than 0.2% of the taxation base as a result of the changes of task distribution and financing.

All in all, these measures should ensure that no municipality will experience an unreasonable increase of expenditure in relation to its revenue or that the revenue increases relatively more than the expenditure.

As to the *expenditure* of the municipalities, the most important change due to the local government reform is that the municipalities will contribute to financing health care in regions. This is described in the next section about financing of the regions.

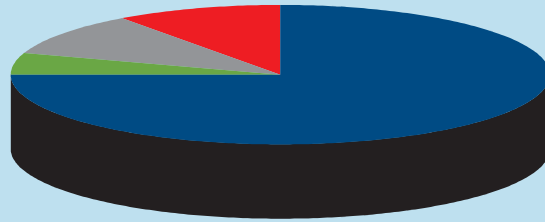
Financing of the regions

The economy of the regions has been divided into three "sections" – health care, rate-financed tasks within social services and special education as well as other tasks.

Health care

Within health care, the tasks of the regions are financed by four kinds of subsidies: A block grant from the state, a state activity-related subsidy, a local basic contribution and a local activity-related contribution (see *figure 4.2*).

Figure 4.2 Composition of the Revenue of the Regions within Health Care



- State block grant (approx. 75%)
- State activity-related subsidy (approx. 5%)
- Local basic contribution (approx. 10%)
- Local activity-related contribution (approx. 10%)

Source: Draft bill on financing of the regions.

The state block grant constitutes the most significant element of financing – approx. 75%. In order to give the regions equal opportunities to provide health care services, the subsidy will be distributed by a number of objective criteria that reflect the expenditure required (e.g. demography and social structure of each region).

Furthermore, part of the state financing of the regions will be a state activity-related subsidy. The activity pool may constitute up to 5% of the health care expenditure of the regions. The purpose of the pool is to encourage the regions to increase the activity level at the hospitals.

A novelty is that the municipalities in future will contribute to financing health care. When considering the new local health care tasks (preventive treatment, care and rehabilitation) the municipalities will acquire a more important role within health care. The purpose is to encourage the municipalities to initiate efficient preventive measures for their citizens.

Local financing consists partly of a basic contribution and partly of an activity-related contribution. Together, they constitute approx. 10% of total financing of health care in the regions.

The basic contribution is determined by the regions. The max. limit is fixed by statute (DKK 1,500 per inhabitant at the price and wage level of 2003). The municipalities (min. 2/3 of the municipalities in the region) are able to veto a region's proposal to increase the contri-

bution in excess of the price and wage development. The local basic contribution is initially fixed at DKK 1,000 per inhabitant.

The activity-related contribution depends on how much the citizens use the national health service. It will primarily reflect the number of hospitalisations and out-patient treatments at hospitals as well as the number of services from general practitioners. In this way the municipalities succeeding in reducing the need for hospitalisation, etc. through efficient measures within preventive treatment and care will be rewarded.

For financing of the majority of the regional and local health care expenditure, the state imposes a health care contribution. The health care contribution is 8% and partially replaces the county income tax.

Social services and special education as well as other tasks

Within social services and special education, the regions will receive payment from the municipalities for the operational tasks that they perform for them.

In order to finance other regional tasks (primarily development tasks), the regions will receive partly a block grant from the state distributed using objective criteria, and partly access to charging a development contribution per inhabitant in the municipalities. The development contribution can amount to max. DKK 200 per inhabitant. The development contribution is fixed according to the same principles as those applying to the basic contribution within health care and will initially amount to DKK 100 pr. inhabitant.

Chapter 5

Local Democracy

The local government reform will have an impact on local democracy in Denmark, i.e. fewer local politicians due to the merging of municipalities, but larger district councils than the "old" municipalities. After the reform, the district councils will have more tasks and thus more political responsibility. A new democratic government body will be established: The regional council. The first election to the new district and regional councils will be held in November 2005.

The goal of strengthening local democracy

It is a central goal of the local government reform to strengthen local democracy in Denmark. cf. *box 5.1*.

Box 5.1 Strengthening democracy

"Democracy will be strengthened as more political decisions are made locally. Efforts should be made to expand democracy so that the citizens can be more actively involved in the decisions. The municipalities of the future should find new ways to involve citizens and users in local decisions."

(Excerpt from the Agreement on a Structural Reform made by the government and the Danish People's Party)

As mentioned in Chapters 2 and 3, it is a central element in the local government reform that the municipalities become bigger and are assigned more of the central health care tasks. Larger municipalities imply that the distance to the city hall will increase for some citizens and that the number of members of the district council will be reduced. But it also means that more tasks will be located in the municipalities and that local politicians will have more responsibility.

Furthermore, larger and more sustainable municipalities facilitate state government based on establishment of goals, framework and performance requirements rather than meticulous control, cf. *box 5.2*.

Box 5.2 Government by Goals and Framework – more Latitude to find Local Solutions

Establishment of strong and more sustainable municipalities facilitate state government of the municipalities based on goals and a framework rather than on meticulous control. This means, that goals are set for the results to be obtained by the municipalities, but there is more latitude to plan performance of the tasks locally.

In the agreement on local finances for 2006 the government and the National Association of Local Authorities have agreed "that state government of municipalities should be based on the local government reform strengthening the role of the municipalities and providing increased local sustainability. Therefore, government should be based on goals and framework and documentation of goal attainment rather than on meticulous control".

Another element of the local government reform which may contribute to strengthening local democracy is a clearer distribution of responsibility. As described in Chapters 1 and 3. one of the objectives of the local government reform is to create clarity and unambiguity as to who is responsible for which tasks. The "grey zones" pointed out by the Commission on Administrative Structure can to a large extent be eliminated by correlated tasks being solved by the same authority. This will increase transparency and thereby the citizens' ability to hold the politicians responsible for their actions.

In order to investigate the possibilities of the local government reform contributing to strengthening local democracy, the Minister for the Interior and Health appointed a Think Tank on democracy at the beginning of 2005 with broad representation from associations in Denmark. In August 2005, the Think Tank submitted a number of recommendations where the municipalities were encouraged to formulate clear visions and rules for local democracy. The Think Tank also recommended that all the municipalities appoint a coordinator to establish the framework and ensure follow-up on citizen participation.

Political government bodies in municipalities and regions after the local government reform

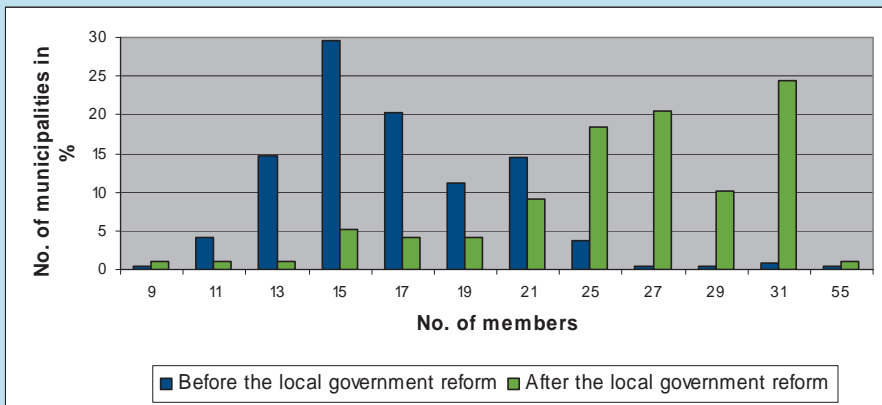
In addition to the merger of municipalities and the establishment of five new regions, the local election on 15 November 2005 will lead to a number of changes in the democratically elected government bodies in the municipalities and regions.

District councils

District councils in the merged municipalities should have between 25 and 31 members, and it must be an uneven number.

Non-merging municipalities with a population of 20,000 should have between 19 and 31 members of the district council at the local election in 2009. District councils in municipalities with less than 20,000 inhabitants should have between 9 and 31 members. *Figure 5.1* shows municipalities by number of district council members before and after the merger of municipalities.

Figure 5.1 Number of District Council Members before and after the Local Government Reform



Note: The City of Copenhagen will be the only municipality with 55 district council members both before and after the local government reform. The increase in the percentage for the City of Copenhagen is due to the fact that there are fewer municipalities after the reform.

Source: Calculations made by the Ministry of the Interior and Health.

When the number of municipalities is reduced from 271 to 98, the total number of district council members will be reduced from 4597 to 2520, but as it appears from the figure, district councils in each municipality will, in general, have more members. The number of district councils with between 25 and 31 members will increase after the reform and the number of district councils with between 9 and 19 members will be reduced.

Regional council

The regional council consists of 41 members. Compared with the total number of county council members, the number of regional council members will be reduced from 357 to 205.

Box 5.3 Fewer Local Politicians – does it have an impact on min. votes required for representation?

The merger of municipalities will result in fewer local politicians, but there will also be more district council members in the merged municipalities than in the original municipalities to be included in the mergers. What are the implications for local democracy?

The min. number of votes required to be represented in parliament is a good indication of how easy or how difficult it is to be elected. As there is no fixed limit at local elections – as the one that applies to elections to the Folketing – the limit will depend on the number of members of the district council. With 31 members the limit will be around 3%, i.e. approx. 3% of the votes will be elected to the district council. 25 members gives a natural limit of approx. 4%, and a district council of 17 members would give a limit of around 6%. The more members of the district council, the lower the natural limit. The natural limit will also depend on the number of lists of candidates and parties.

All in all, the implication will be that the limit in per cent will go down in the merged municipalities. It will require support from a smaller amount of the voters in the municipality to be elected than before the merger of municipalities, but as the number of voters in absolute figures has increased in the merged municipalities, it will require more votes to be elected.

Appendix 1

Distribution of Tasks by Sector

This outline describes which authorities will be responsible for which tasks after 1 January 2007 listed by sector (only those sectors where tasks are transferred as a result of the local government reform). The list does not provide a full description of the distribution of tasks in the public sector.

Employment

Municipalities:

- Regulatory responsibility for the unemployed without insurance
- Job centres in collaboration with the state
- 10 pilot job centres where the municipalities take over the state's responsibility for the unemployed with insurance

State:

- Regulatory responsibility for the unemployed with insurance
- Job centres together with the municipalities
- Management and supervision of the employment effort in four new state employment regions

Business development

Municipalities:

- Responsibility for local business service
- Local promotion of tourism

Regions:

- Preparation of regional development plans
- Establishment of a secretariat providing service for the regional growth fora
- Regional promotion of tourism

State:

- General growth policy, including cross coordination between the business, education, transport and employment policy (via the national growth strategy)

Collective transport and roads

Municipalities:

- Local roads
- Participation in transport companies and financing of local bus transport

Regions:

- Responsibility for establishment of transport companies (including bus transport. fixing of rates and ticketing systems, schedules, coordination and planning, private railways and individual transport of disabled people)

State:

- General road network
- Responsibility for the majority of the trains and the railway network (takes over certain county railways) and a share of the metro

Culture

Municipalities:

- Responsible for subsidising local culture, including relics of the past
- Obligated to run a school of music
- After a 4-year transitional period from 2007, the municipalities will take over the responsibility for subsidising local state recognized museums (Section 15 museums) and a number of cultural tasks that have previously been handled by the counties without any statutory obligation

Regions:

- The possibility of initiation cultural events and offers where the more permanent operation can be taken over by others

State:

- Full responsibility for subsidising a number of private cultural institutions of a national nature, the national state recognized museums – Section 16 museums, district theatres and orchestras, Det Danske Teater, Den Jyske Opera and the drama schools at the theatres in Odense and Århus) as well as basic music courses and school concerts
- A responsibility shared with the municipalities to subsidise schools of music, local theatres, local state recognized museums (Section 15 museums)

Nature, environment and planning

Municipalities:

- Most of the regulatory and citizen-related tasks regarding nature and environmental legislation
- Preparation of local action plans pursuant to the Act on Environmental Goals, regarding waste water, water supply and waste
- Maintenance of streams
- Preparation of local plans

Regions:

- Preparation of regional development plans
- Mapping and planning of recovery of raw materials
- Measures against soil pollution
- Certain tasks pursuant to the Act on Environmental Goals

State:

- Tasks involving international obligations of major national interest and technically complicated tasks
- Preparation of nature and water plans pursuant to the Act on Environmental Goals
- Monitoring of nature and environment
- Special regulatory tasks (including approval and of inspection of approx. 235 environmentally problematic companies, supervision of waste water outlets and certain local waste handlings plants, environmental approvals, administration of protection of the coastline, preservation of dunes, etc.)
- National planning, including better planning in Greater Copenhagen

Tax

Municipalities:

- Citizen service regarding tax and collection in collaboration with the state tax centres

State:

- Taxation and collection are the responsibility of the state. Establishment of 30 tax centres (from 1 November 2005)

Social services

Municipalities:

- Total regulatory, supply and financing responsibility
- Operation of institutions for children and young people with social or behavioural problems except secured institutions and the option to take over social services provided by the regions
- Social psychiatry

Regions:

- Operation of services for exposed groups and groups with special needs that have not been taken over by the municipalities
- Operation of institutions for children with social and behavioural problems if the municipalities in 2006 have made an agreement with the preparation committees accordingly
- Preparation of a frame agreement, including coordination of the most specialised national and regional services in collaboration with the other regions
- Participation in procurement of aids
- Tasks concerning operation of housing for the elderly and housing communities.

State:

- National knowledge and special counselling organisation (VISO)

Health care

Municipalities:

- Preventive treatment, care and rehabilitation that do not take place during hospitalisation as well as special dental care
- Home care
- Treatment of alcohol and drug abuse

Regions:

- Hospitals
- Psychiatry
- Health insurance (general practitioners, specialists and reimbursement for medication)

State:

- Specialty planning
- Systematic follow-up on quality, efficiency and IT usage

Education

Municipalities:

- Primary school, including special education and special education for adults

Regions:

- Operation of the most specialised national and regional education
- Operation of educational institutions with special education for people with a speech, hearing or sight impairment (communication centres)
- Coordinating function in relation to youth educations and education for adults, including FVU and education for dyslexics.

State:

- Establishment of goals for the contents of primary school education, including special education
- Centre for teaching aids and materials
- Youth educations
- Further education, education for adults
- Short and medium-term higher educations
- University educations
- Research

Appendix 2

Legislation

The legislation regarding the local government reform includes 50 acts on the division and distribution of tasks included in the Agreement on a Structural Reform. The bills were submitted to the Folketing on 24 February 2005 and were read during the first six months of 2005. The bills were adopted immediately before the recession of the Folketing in June 2005. The acts are available on the website of the Ministry of the Interior and Health (www.im.dk).

Ministry of Employment

- Act no. 522 of 24 June 2005 on the Responsibility and Management of the Active Employment Effort
- Act no. 523 of 24 June 2005 on amendment of the Act on Active Employment Efforts, including additional acts. (Consistency corrections as a result of the local government reform)

Ministry of Finance

- Act no. 527 of 24 June 2005 on amendment of various acts within the field of the Ministry of Finance. (Consistency corrections as a result of the local government reform)

Ministry of Defence

- Act no. 534 of 24 June 2005 on amendment of the Danish Preparedness Act. (Consistency corrections as a result of the local government reform)

Ministry of the Interior and Health

- Act no. 546 of 24 June 2005 – Danish Health Care Act
- Act no. 547 of 24 June 2005 on Right of Appeal and Compensation within the National Health Service
- Act no. 545 of 24 June 2005 on amendment of various acts within the health care sector and certain other areas. (Consistency corrections as a result of the local government reform)
- Act no. 542 of 24 June 2005 on Regional State Administration
- Act no. 541 of 24 June 2005 on Binding Local Partnerships
- Act no. 539 of 24 June 2005 on certain procedural issues in connection with the local government reform
- Act no. 544 of 24 June 2005 on Local Citizen Service Centres
- Act no. 543 of 24 June 2005 on Financing of Regions

- Act no. 538 of 24 June 2005 on amendment of the Act on Benefits for a Credit association of Municipalities in Denmark. (Consistency corrections as a result of the local government reform)
- Act no. 548 of 24 June 2005 on an Evaluation Institute for Municipalities, etc.
- Act no. 537 of 24 June 2005 on Regions and Abolition of Counties, the Greater Copenhagen Authority and the Copenhagen Hospital Corporation
- Act no. 540 of 24 June 2005 on Revision of the Division of Municipalities

Ministry of Justice

- Act no. 551 of 24 June 2005 on amendment of the Road Traffic Act and the Passport Act. (The municipalities take over certain tasks involving the issue of driving licences and passports as part of the local government reform)
- Act no. 552 of 24 June 2005 on amendment of the Administration of Justice Act and various other acts. (Corrections as a result of the local government reform)

Ministry of Culture

- Act no. 563 of 24 June 2005 on amendment of a number of acts within culture. (Implementation of the local government reform within the cultural sector)
- Act no. 562 of 24 June 2005 on amendment of the Museum Act, the Building Preservation Act and the Act on the Churches and Churchyards of the Established Danish Church and on repeal of the Act on Regional Special Culture Councils. (Implementation of the local government reform regarding museums, etc.)
- Act no. 561 of 24 June 2005 on amendment of the Music Act. (Implementation of the local government reform regarding music)
- Act no. 519 of 21 June 2005 on amendment of the Theatre Act. (Implementation of the local government reform regarding theatres)

Ministry of the Environment

- Act no. 565 of 24 June 2005 on amendment of the Act on Environment and Gene Technology. (Consistency corrections as a result of the local government reform)
- Act no. 568 of 24 June 2005 on amendment of the Contaminated Soil Act. (Implementation of the local government reform)
- Act no. 566 of 24 June 2005 on amendment of the Act on Raw Materials. (Implementation of the local government reform regarding planning and recovery of raw materials on land)
- Act no. 567 of 24 June 2005 on amendment of the Act on Nature Protection. (Implementation of the local government reform)
- Act no. 570 of 24 June 2005 on amendment of the Act on Environmental Goals etc. for Streams and International Nature Protection Areas and the Act on Water Supply, etc. (Implementation of the local government reform regarding organisation of the authorities etc.)
- Act no. 569 of 24 June 2005 on amendment of the Act on Environmental Protection. (Implementation of the local government reform regarding organisation of authorities, etc.)
- Act no. 564 of 24 June 2005 on Amendment of the Act on the Protection of the Marine Environment, the Act on Streams, the Act on Summer Houses and Camping, etc. and various other acts.

(Implementation of the local government reform in a number of laws regarding nature and the environment)

- Act no. 571 of 24 June 2005 on amendment of the Planning Act. (Implementation of the local government reform)

Ministry for Family and Consumer Affairs

- Act no. 525 of 24 June 2005 on amendment of the Act on Parental Rights and Access, the Act on Marriage and Dissolution of Marriage and various other acts. (Implementation of the local government reform within family law)

Ministry of Food, Agriculture and Fisheries

- Act no. 536 of 24 June 2005 on amendment of the Act on Distribution of Land, the Act on Support of the Rural Districts, the Act on Farming and various other acts within the area covered by the ministry. (Implementation of the local government reform in terms of environmentally friendly farming measures and consistency corrections as a result of the local government reform)

Ministry of Taxation

- Act no. 427 of 6 June 2005 – the Act on Tax Administration
- Act no. 428 of 6 June 2005 on amendment of a number of acts as a result of the Tax Administration Act. (Consistency corrections as a result of the local government reform, etc.)
- Act no. 429 of 6 June 2005 on Collection of Certain Claims
- Act no. 430 of 6 June 2005 on amendment of various acts and on repeal of the Act on Local Partnerships regarding Collection. (Consistency corrections as a result of the Act on Collection of Certain Claims – all collections are made by the Ministry of Taxation)
- Act no. 431 of 6 June 2005 on amendment of various acts. (Simplification, harmonisation and specification of the rules for collection of debts to the public authorities etc. and the possibility of using digital pay slips)

Ministry of Social Affairs

- Act no. 573 of 24 June 2005 on Social Service
- Act no. 574 of 24 June 2005 on amendment of the Act on Law and Order and Administration within the Social Sector and other acts and on repeal of the Act on Interpretation of Care of the Mentally Deficient and other Special Care, etc. and the Act on Implementation of Certain Public Servant and Retirement Issues, etc. in connection with implementation of Act no. 333 of 19 June 1974 on Social Care. (Consistency corrections as a result of the local government reform)
- Act no. 575 of 24 June 2005 on amendment of the Act on Social Housing etc., the Act on Promotion of Private Housing for Rent and various other acts. (Consistency corrections within housing as a result of the local government reform)

Ministry of Transport and Energy

- Act no. 583 of 24 June 2005 on amendment of the Act on Public Roads, the Act on Private Local Roads, the Act on Landowner Contribution to Public Roads, the Act on Winter Maintenance and Cleaning of Roads and the Act on the Procedure of Expropriation of Property. (Implementation of the local government reform in terms of legislation regarding roads and expropriation)
- Act no. 582 of 24 June 2005 on Transport Companies

- Act no. 581 of 24 June 2005 on amendment of the Act on Coastline Protection, various acts on dike construction, the Act on Harbours, the Act on Aviation and the Act on Ferry Service. (Consistency corrections as a result of the local government reform)
- Act no. 584 of 24 June 2005 on amendment of the Act on Promotion of Savings in Energy Consumption, the Act on the Energy Savings Fund and the Act on Promotion of Savings in Consumption of Energy and Water in Buildings. (Consistency corrections as a result of the local government reform)

Ministry of Education

- Act no. 591 of 24 June 2005 on amendment of the Act on Centre for Further Education and other Private Institutions for Further Education, etc., the Act on Medium-term Further Education, the Act on Centre for Education Aids and Materials, etc. and various other acts within the field of the Ministry of Education. (Implementation of the local government reform in terms of schools of nursing and radiography and the centre for education aids and materials as well as technical consistency corrections)
- Act no. 592 of 24 June 2005 on amendment of the Act on the Folkeskole, the Act on Special Education for Adults, the Act on Preparatory Education for Adults (FVU Act) and various other acts. (Implementation of the local government reform regarding special education, preparatory education for adults, education for dyslexics, etc.)
- Act no. 593 of 24 June 2005 on amendment of the Act on Production Schools, Act on Support for Education of Adults, Voluntary Association Activities and Folk High Schools as well as University Extension Courses (Act on Public Information) and various other acts within the field of the Ministry of Education. (Consistency corrections as a result of the local government reform)
- Act no. 590 of 24 June 2005 on amendment of the Act on Upper Secondary Schools, the Act on Higher Preparatory Examination Courses, the Act on Basic Social and Health Educations, the Act on General Education for Adults and on Adult Education Centres and various other acts. (Implementation of the local government reform regarding upper secondary schools, higher preparatory examination courses, social and health educations and other youth educations as well as adult education centres (VUC))

Ministry of Economic and Business Affairs

- Act no. 602 of 24 June 2005 on Industrial Promotion
- Act no. 601 of 24 June 2005 on amendment of the Act on Registration of Buildings and Housing, Act on the Cooperation between Municipalities and Counties and Limited Liability Companies, etc., the Consolidated Competition Act and the Act on Floods and Windfalls. (Implementation of the local government reform with a view to specifying addresses, etc.)

Appendix 3

Outline of the Five Regions and the 98 New Municipalities

Below is an outline of the new map of Denmark. The outline includes the new regions and municipalities after the local government reform (first column), the municipalities before the local government reform (second column) and population in regions and municipalities, respectively (third column) as per 1 January 2005 calculated by the Ministry of the Interior and Health on the basis of data from Statistics Denmark.

Whenever the establishment of a new municipality has involved adjustment of boundaries, it is marked with an asterisk (*). The boundary adjustments are described in Executive Order No. 656 of 29 June 2005 on Revision of the Local and Regional Division and on Binding Local Partnerships (www.retsinfo.dk). The population in municipalities where the boundaries have been adjusted is an estimate based on the polling district, but the deviation from the actual number of inhabitants is less than 100.

Outline of Regions and Municipalities before and after the Local Government Reform		
Municipalities in the five regions after the local government reform	Municipalities before the local government reform	Population
Region Hovedstaden (29 municipalities)		1,631,537
Albertslund Kommune	Albertslund Kommune	28,146
Allerød Kommune	Allerød Kommune	23,458
Ballerup Kommune	Ballerup Kommune	46,759
Bornholm Kommune	Bornholm Kommune	43,347
Brøndby Kommune	Brøndby Kommune	34,513
Dragør Kommune	Dragør Kommune	13,156
Edgal Kommune	Ledøje-Smørum, Stenløse and Ølstykke kom-	39,267

	kommuner	
Fredensborg Kommune	Fredensborg-Humblebæk and Karlebo kommuner	39,187
Frederiksberg Kommune	Frederiksberg Kommune	91,886
Frederikssund Kommune*	Frederikssund, Slangerup, Skibby and Jægerspris kommuner	42,926
Frederiksværk-Hundested Kommune	Frederiksværk and Hundested kommuner	30,253
Furesø Kommune	Farum and Værløse kommuner	37,311
Gentofte Kommune	Gentofte Kommune	68,991
Gladsaxe Kommune	Gladsaxe Kommune	62,007
Glostrup Kommune	Glostrup Kommune	20,785
Gribskov Kommune	Græsted-Gilleleje and Helsingør kommuner	40,409
Helsingør Kommune	Helsingør Kommune	61,295
Herlev Kommune	Herlev Kommune	27,166
Hillerød Kommune*	Hillerød and Skævinge	44,551
Hvidovre Kommune	Hvidovre Kommune	49,863
Høje-Taastrup Kommune	Høje-Taastrup Kommune	45,553
Hørsholm Kommune	Hørsholm Kommune	24,292
Ishøj Kommune	Ishøj Kommune	20,668
Københavns Kommune	Københavns Kommune	502,362
Lyngby-Taarbæk Kommune	Lyngby-Taarbæk Kommune	51,611
Rudersdal Kommune	Søllerød and Birkerød kommuner	53,621
Rødovre Kommune	Rødovre Kommune	36,312
Tårnby Kommune	Tårnby Kommune	39,582
Vallensbæk Kommune	Vallensbæk Kommune	12,260
Region Sjælland (17 municipalities)		805,954
Faxe Kommune	Haslev, Fakse and Rønnede kommuner	34,313
Greve Kommune	Greve Kommune	47,671
Guldborgsund Kommune	Nykøbing-Falster, Nysted, Nørre-Alslev, Saksøbing, Stubbekøbing and Sydfalster kommuner	63,533
Holbæk Kommune	Holbæk, Jernløse, Svinninge, Tornved and Tølløse kommuner	66,611
Kalundborg Kommune	Bjergsted, Gørlev, Hvidebæk, Høng and Kalundborg kommuner	48,697
Køge Kommune	Køge and Skovbo kommuner	54,926
Lejre Kommune	Bramsnæs, Hvalsø and Lejre kommuner	25,971
Lolland Kommune	Nakskov, Rudbjerg and Ravnsborg, Højreby, Maribo, Rødby and Holeby kommuner	49,469
Næstved Kommune	Fuglebjerget, Fladså, Holmegård, Næstved and Suså kommuner)	78,446
Odsherred Kommune	Dragsholm, Nykøbing-Rørvig and Trundholm kommuner	32,739
Ringsted Kommune	Ringsted Kommune	30,830
Roskilde Kommune	Gundsø, Ramsø and Roskilde kommuner	79,441
Slagelse Kommune	Hashøj, Korsør, Skælskør and Slagelse kommuner	76,185
Solrød Kommune	Solrød Kommune	20,703

Sorø Kommune	Dianalund, Sorø and Stenlille kommuner	28,336
Stevns Kommune	Vallø and Stevns kommuner	21,776
Vordingborg Kommune	Langebæk, Møn, Præstø and Vordingborg kommuner	46,307
Region Syddanmark (22 municipalities)		1,183,823
Assens Kommune	Assens, Glamsbjerg, Haarby, Tommerup, Vissenbjerg and Aarup kommuner	41,201
Billund Kommune*	Billund and Grindsted kommuner	26,076
Bogense Kommune	Bogense, Otterup and Sønder sø kommuner	28,655
Esbjerg Kommune*	Bramming, Esbjerg and Ribe kommuner	115,415
Fanø Kommune	Fanø Kommune	3,151
Fredericia Kommune	Fredericia Kommune	49,147
Faaborg-Midtfyn Kommune	Broby, Faaborg, Ringe, Ryslinge and Årslev kommuner	51,144
Haderslev Kommune*	Gram, Haderslev and Vojens kommuner	56,462
Kerteminde Kommune	Kerteminde, Langeskov and Munkebo kommuner	23,071
Kolding Kommune*	Christiansfeld, Kolding, Vamdrup, Lunderskov kommuner	85,986
Langeland Kommune	Rudkøbing, Sydlangeland and Tranekær kommuner	14,223
Middelfart Kommune	Ejby, Middelfart and Nørre Aaby kommuner	36,113
Nyborg Kommune	Nyborg, Ullerslev and Ørbæk kommuner	31,009
Odense Kommune	Odense Kommune	185,871
Svendborg Kommune	Egebjerg, Gudme and Svendborg kommuner	58,354
Sønderborg Kommune	Augustenborg, Broager, Gråsten, Nordborg, Sønderborg, Sundeved and Sydals kommuner	76,459
Tønder Kommune*	Bredebro, Højer, Løgumkloster, Nr, Rangstrup, Skærbæk and Tønder kommuner	41,140
Varde Kommune*	Blaabjerg, Blåvandshuk, Helle, Varde and Ølgod kommuner	49,377
Vejen Kommune	Rødning, Brørup, Holsted and Vejen kommuner	41,350
Vejle Kommune*	Børkop, Egtved, Give, Jelling and Vejle kommuner	102,529
Ærø Kommune	Marstal and Ærøskøbing kommuner	6,939
Aabenraa Kommune	Bov, Lundtoft, Rødekro, Tinglev and Aabenraa kommuner	60,151
Region Midtjylland (19 municipalities)		1,212,988
Favrskov Kommune*	Hvorslev, Hadsten, Hinnerup, Hammel kommuner	43,698
Hedensted Kommune*	Hedensted, Juelsminde and Tørring-Uldum kommuner	43,477
Herning Kommune	Aulum-Haderup, Herning, Trehøje and Aaskov kommuner	82,935

Holstebro Kommune	Holstebro, Ulfborg-Vemb and Vinderup kommuner	56,204
Horsens Kommune*	Brædstrup, Gedved and Horsens kommuner	76,612
Ikast-Brande Kommune	Nørre-Snede, Brande and Ikast kommuner	39,371
Lemvig Kommune	Lemvig and Thyborøn-Harboøre kommuner	22,760
Norddjurs Kommune*	Grenå, Nørre-Djurs, Rougsø and Sønderhald Øst kommuner	38,352
Odder Kommune	Odder Kommune	21,133
Randers Kommune*	Langå, Nørhald, Purhus, Randers, Sønderhald Vest and the Havndal area from Mariager kommuner	91,995
Ringkøbing-Skjern Kommune	Holmsland, Egvad, Ringkøbing, Skjern and Videbæk kommuner	57,818
Samsø Kommune	Samsø Kommune	4,125
Silkeborg Kommune	Gjern, Silkeborg, Them and Kjellerup kommuner	84,167
Skanderborg Kommune*	Galten, Hørning, Ry and Skanderborg kommuner	54,153
Skive Kommune	Sallingsund, Skive, Spøttrup and Sundsøre kommuner	48,368
Struer Kommune	Struer and Thyholm kommuner	22,752
Syddjurs Kommune	Ebeltoft, Midtdjurs, Rosenholm and Rønde kommuner	40,196
Viborg Kommune*	Bjerringbro, Fjends, Karup, Møldrup, Tjele and Viborg kommuner	89,918
Århus Kommune	Århus Kommune	294,954
Region Nordjylland (11 municipalities)		577,005
Brønderslev-Dronninglund Kommune	Brønderslev and Dronninglund kommuner	35,320
Frederikshavn Kommune	Frederikshavn, Skagen and Sæby kommuner	63,799
Hjørring Kommune	Hirtshals, Hjørring, Løkken-Vrå and Sindal kommuner	67,816
Jammerbugt Kommune	Brovst, Fjerritslev, Pandrup and Aabybro kommuner	38,884
Læsø Kommune	Læsø Kommune	2,145
Mariagerfjord Kommune*	Arden, Hadsund, Hobro and Mariager (ekskl. Havndal) kommuner	42,001
Morsø Kommune	Morsø Kommune	22,479
Rebild Kommune*	Nørager, Skørping and Støvring kommuner	28,457
Thisted Kommune	Hanstholm, Sydthy and Thisted kommuner	46,158
Vestthimmerlands Kommune*	Aalestrup, Farsø, Løgstør and Aars kommuner	37,593
Aalborg Kommune	Hals, Nibe, Sejlfod and Aalborg kommuner	192,353

