

## **The Committee's recommendations**

The volume of tasks and responsibilities of the municipalities has increased in step with the development of the welfare state. The municipalities are responsible for a large number of tasks and complex and competence-intensive services. Regardless of characteristics such as population size, geography or economy, all municipalities have the same responsibilities. The municipalities have considerable freedom in choosing whether to fulfil their responsibilities in their own organisation, in cooperation with other municipalities/county authorities, or by procuring services.

The municipal sector faces major challenges in the coming years. Our elderly population is increasing in number, while the proportion of working age people is decreasing, and the growth in revenue in the National Budget is expected to slow down markedly.

The Committee's purpose and task is to provide a comprehensive knowledge base on the system of generalist municipalities, assess the prerequisites and frameworks the municipalities have for functioning as a generalist municipality now and in the future, and assess whether there is a basis for having a system of generalist municipalities. The Committee will also provide assessments of alternatives to the current system.

The Committee has examined how generalist municipalities currently function by assessing how the municipalities fulfil their roles as local democratic actor and arena, service provider, executive authority and community developer (Chapter 5), and highlighted key developments that will affect the municipality's prerequisites in the future (Chapter 6).

### **The system of generalist municipalities is under increasing pressure**

Today's municipalities are very different in terms of population size, population development, distances and centrality, and therefore have different prerequisites for fulfilling their functions as generalist municipalities.

All Norwegian municipalities, with very few exceptions, currently have the same responsibilities for their statutory tasks, regardless of population size, settlement structure, economy or other characteristics. In general, the municipalities fulfil their statutory requirements. No municipality fully complies with all statutory requirements, and there is considerable variation in statutory compliance. The municipalities face the greatest challenges in fulfilling statutory tasks that require specialised and interdisciplinary professional communities. Small rural municipalities with relatively little financial discretion have the greatest challenges in solving their statutory tasks. Better financial discretion can, to some extent, but not fully, compensate for centrality and size. The Committee believes that it will be more challenging to maintain a system of generalist municipalities, where all municipalities have the same responsibilities, if there are greater differences in the municipalities' ability to fulfil these responsibilities.

The Committee believes it is a problem that particularly small and peripheral municipalities have challenges in fulfilling statutory requirements. When the municipalities have challenges in solving their tasks, this entails, among other things, that citizens do not receive the services to which they are entitled, and the municipalities will have a reduced ability to function in the best interests of the citizens, the local community and the business sector.

The lack of access to competence and capacity is the main reason for inadequate fulfilment of task responsibility. In particular, this applies to competence for solving highly specialised

tasks, as well as tasks that require interdisciplinary efforts. There is also a lack of capacity to manage the development of services, community development and executive authority.

The Committee believes that the current situation will become more challenging in the future. The municipalities and Norwegian society are facing challenging societal changes, such as demographic changes, tighter public finances, the climate and environmental crisis and intensified needs for civil protection and emergency preparedness. Citizens have high expectations, and the State sets increasingly stringent requirements for how tasks are to be solved. At the same time, access to competence and labour will become more challenging, nationwide. The Health Personnel Commission has painted a clear and serious picture of the situation in the health and care sector, if the necessary measures are not implemented.

In the Committee's view, inter-municipal cooperation is essential, and the system of generalist municipalities would not have functioned without this. At the same time, there are certain disadvantages associated with inter-municipal cooperation compared to solving tasks within the framework of a municipality. The disadvantages are related to both governance and operation. Municipalities that want and need cooperation are dependent on municipalities wanting to cooperate with them, and there is a certain vulnerability in the system if municipalities, often larger municipalities with capacity and competence, no longer wish to cooperate with smaller municipalities.

Tighter national economic frameworks could affect allocations to the municipal sector, and in combination with population decline and an increased need for care services due to the growing elderly population, this will increase the pressure on many municipalities.

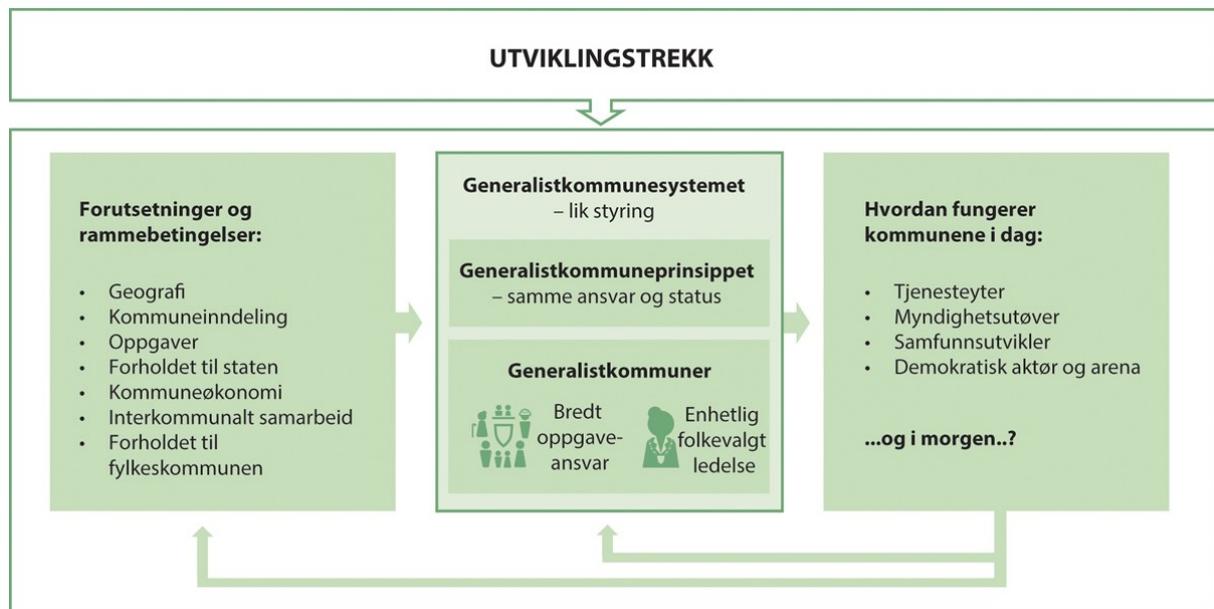
The Committee believes that the system of generalist municipalities is under increasing pressure. This is mainly due to the fact that it becomes more challenging for all municipalities to fulfil the same responsibilities when the differences between the municipalities' prerequisites become greater. The Committee believes that the main challenge in today's system of generalist municipalities is that particularly small and peripheral municipalities have challenges in fulfilling statutory requirements. At the same time, many small municipalities are experiencing population decline, an increasing proportion of elderly persons, fewer persons of working age and a lack of competence. Therefore, there is reason to believe that the prerequisites for small rural municipalities to fulfil statutory task responsibilities may gradually deteriorate, particularly for statutory tasks that require specialised and interdisciplinary professional communities. This puts pressure on the principle of generalist municipalities on which the current system is based; that all municipalities have the same responsibilities.

### *Measures are needed*

The Committee believes that there is a need for measures to strengthen the municipalities' prerequisites and ability to fulfil their statutory tasks and to make them better equipped to face future challenges and needs.

Norway is not alone in the challenges facing the public and local government sectors. The fact that people are moving to central areas and an aging population are trends both in Europe and the rest of the world. Changes in public administration and organisation and allocation of tasks are therefore also on the agenda in other countries. Although the municipalities and municipal systems in Europe differ considerably in terms of responsibilities and tasks, most countries have seen the need to reform municipalities in different ways in order to strengthen the local government sector.

The model presented in Chapter 3 forms the basis for the Committee's analysis and assessments of how the current system of generalist municipalities functions, how the system is affected by the current framework conditions, and whether the current system of generalist municipalities is suited to meet the challenges society will be faced with in the future.



## Model for analysing the system of generalist municipalities

Committee for considering the system of generalist municipalities, 2023

Following the Committee's assessments of how the system of generalist municipalities currently functions, and in face of key trends (Chapter 7), the Committee has considered alternatives to the current system of generalist municipalities. In Chapters 9–13, the Committee considers the alternative to the current system of generalist municipalities, which is differentiated responsibilities, and other measures that entail changes in the municipalities' prerequisites and framework conditions, within the framework of the system of generalist municipalities.

Both differentiated responsibilities and the other measures seek to address what the Committee has identified as a challenge for the system of generalist municipalities, i.e., that there are systematic differences in the degree of statutory compliance in the municipalities. The differences particularly relate to requirements that demand specialised competence and interdisciplinarity, and small and peripheral municipalities in particular face challenges in fulfilling statutory requirements. The development trends may indicate that more municipalities are likely to face greater challenges in fulfilling their responsibilities in the future.

Based on meetings with and comments from municipalities and other stakeholders around the country, the Committee understands that there are great expectations related to the Committee's report, and the Committee has received a clear impression that a large majority believe that *something must happen*. However, comments are less clear-cut as to what needs to be done.

A large majority of those who have submitted comments to the Committee believe that the system of generalist municipalities should remain intact. Many believe that larger municipalities are the solution while many others believe that more inter-municipal

cooperation is sufficient. Some believe that certain tasks should be transferred from all municipalities to county authorities or the State, or to the largest municipalities in the county authority or the State.

The Committee is of the opinion that it is not *one* measure that will solve the challenges for all municipalities, but that multiple measures need to be implemented. The Committee assesses the measures in relation to the challenges it has identified and the elements of the system of generalist municipalities. There may also be a need for different measures in different parts of the country, because the needs and challenges vary.

### **The Committee wishes to uphold the principle of generalist municipalities and does not recommend differentiated responsibilities**

The Committee believes that the current system of generalist municipalities, which consists of generalist municipalities based on the principle of generalist municipalities, is a good system that should be maintained.

*Generalist municipalities* with a broad portfolio of tasks and a uniform responsibility assigned to the elected municipal council forms the basis for an efficient and comprehensive task solution based on local needs and priorities.

*The principle of generalist municipalities* – that all municipalities have the same task responsibilities – ensures equal democratic rights for citizens. Differentiated responsibilities or differentiated task responsibility means that some municipalities are given more or less responsibilities than other municipalities. A system based on the principle of generalist municipalities makes it easier for citizens to know who is responsible for different services, and is easier and more transparent to govern for the State than differentiated responsibilities.

Differentiated responsibilities in the form of small and peripheral municipalities being relieved of tasks that are transferred to another municipality, county authority or the State can remedy the challenges these municipalities have in terms of inadequate capacity and sufficient competence. In the Committee's assessment, this can contribute to solving the challenge of inadequate capacity and competence. At the same time, differentiated responsibilities deviates from the principle of generalist municipalities and thus the system of generalist municipalities.

Differentiated responsibilities will result in different content in terms of citizens' right to vote, in that citizens in municipalities with responsibility for many tasks will have more influence than citizens in municipalities with few tasks. If responsibility for a task is assigned to a neighbouring municipality, citizens cannot hold elected officials accountable for that service in elections, which breaks with the principle of democratic accountability. It will also be more difficult for citizens of one municipality to influence through channels other than elections, when responsibility for tasks has been transferred to another municipality. If responsibility for tasks is transferred to the county authority or the State, citizens will have the right to vote, but the distance will be greater, and it will be somewhat more difficult to influence and shape this task.

The broad task responsibilities that also characterise the generalist municipalities may be affected, depending on how much task responsibility is transferred. It will also be more difficult to coordinate with other tasks in the municipality. In the municipality that relinquishes tasks, the content of democratic governance will be reduced. Furthermore, democratic governance will be less uniform, because there are multiple municipal councils that are responsible for the same citizens.

Some will argue that inter-municipal cooperation also entails, in practice, that not all municipalities manage all tasks, and that some municipalities perform tasks both for their own citizens and for the citizens of other municipalities. The crucial difference is that in the case of inter-municipal cooperation, the responsibility still lies with the individual municipal councils. The municipalities can enter into and end cooperation as needed, based on their own decisions. In the case of inter-municipal cooperation, the content of citizens' right to vote also remains the same.

It will be more difficult to reverse differentiated responsibilities than it is to end inter-municipal cooperation. If responsibility for a task is assigned to a body other than the municipality by law, the municipality cannot decide for itself whether it gets the task back. The formal process of returning a task will be more complicated and time-consuming, with amendments to regulations and necessary organisational changes.

The fact that the responsibilities of the municipalities are different can also make the administration more complex for citizens, where it may be more difficult to know who is responsible for a task.

Although the Committee believes that differentiated responsibilities can contribute to solving the challenges for some of today's municipalities, this is not a solution the Committee would recommend. The Committee believes the disadvantages of municipalities having different responsibilities are too great. The Committee believes that it would be particularly detrimental to move away from consistent democratic accountability. A departure from the principles of equal democratic rights for citizens and democratic accountability is therefore the main reason why differentiated responsibilities is not a solution the Committee would recommend. The Committee believes it is better to implement other measures within the framework of the current system of generalist municipalities, which will also contribute to solving challenges uncovered by the Committee.

The Committee has assessed whether it may still be appropriate to consider differentiated responsibilities where task responsibility is transferred from the municipality to the county authority or the State, but only limited to certain areas where there are large distances and difficulties related to inter-municipal cooperation or mergers of municipalities. This will be a special exception to the current system of generalist municipalities in order to accommodate special challenges. The Committee finds that, among other things, inter-municipal cooperation is a better and more proven solution.

The Committee has not considered assigning more tasks to larger municipalities. This will not solve the main challenge for the current system of generalist municipalities, which is a lack of capacity and competence, mainly in small and peripheral municipalities.

### **Measures must be taken within the current system of generalist municipalities to meet the challenges of the future**

The Committee believes that the societal challenges and needs we will solve in the future will put so much pressure on the municipalities that it is necessary to implement measures to reduce the pressure on the system of generalist municipalities.

The Committee has presented several different measures that can be implemented to maintain the principle of generalist municipalities. All the measures will, in various ways, contribute to solving the challenges of a lack of professional communities, specialist competence and development capacity. The measures are not mutually exclusive, and the Committee believes there is a need for multiple measures, and that all the recommendations should be followed up

further. There may also be various measures that are more suitable than others, in different parts of the country.

Many of the measures are familiar, some are new. Some are more challenging to implement than others. The Committee points to solutions, but several of the measures require further investigation.

### **Active policy for larger municipalities**

Larger municipalities will strengthen the system of generalist municipalities in that it will be easier to secure the necessary professional communities and thus increase the likelihood of fulfilling statutory requirements. Larger municipalities will not change the principle of generalist municipalities that all municipalities have equal responsibilities and equal legal status.

Larger municipalities will strengthen the basis for generalist municipalities with broad task responsibilities and democratic governance. The municipalities will be better equipped to fulfil their statutory tasks through a larger professional environment and thus a better basis for recruitment. Larger municipalities with greater administrative capacity will strengthen democratic governance because there will be better capacity to investigate the basis for political decisions, especially within the community development role. Larger municipalities will also reduce some of the need for inter-municipal cooperation, and will be able to facilitate less stringent detailed governance on the part of the State.

Larger municipalities are a way of reaping the benefits of being large, while the municipalities have considerable freedom to use decentralisation as a method of retaining the advantages of being small. The Committee notes that there are great opportunities in the current legislation to delegate decision-making authority from the municipal council to municipal sub-committees, and that direct elections to municipal sub-committees can also be held pursuant to the Local Government Act. Delegated decision-making authority may, for example, be relevant in services close to citizens such as kindergartens, in-home assistance, home nursing care and in local community measures such as recreational activities for children and young people, libraries and volunteer centres. The Committee sees no need to amend the legislation governing municipal sub-committees.

The Committee's majority believes that larger municipalities is the measure that will best uphold the principle of generalist municipalities and strengthen the generalist municipalities. The Committee's majority believes that larger municipalities will in the vast majority of cases contribute to solving the challenges of lack of capacity and competence.

The Committee's majority believes that an active policy to achieve larger municipalities, with available instruments that can support local initiatives and negotiations must be pursued.

The Committee's majority recommends that existing instruments to encourage and facilitate local mergers, and contribute to a future-oriented municipal structure, be continued and strengthened.

The Committee's majority recommends that the economic incentives be evaluated, with the aim of uncovering weaknesses and areas of improvement in the schemes.

The Committee's majority recommends a review of other instruments that can strengthen governance and management of municipal mergers, and facilitate good local processes. The review should involve an evaluation of the Local Government Boundaries Act, and a more unambiguous and uniform follow-up on the part of the county governor should be considered.

### *Special remark*

Committee members Schade and Kvinlaug note that, based on the Committee's knowledge base (the Menon report), it cannot be concluded that larger municipalities will solve problems involving competence and capacity.

The knowledge base only states that larger municipalities have a higher degree of statutory compliance than smaller municipalities. It is true that there may be a correlation between access to competence and labour and the degree of statutory compliance, but such a correlation is not clearly documented in the knowledge base. It also appears from the knowledge base that smaller municipalities, too, have a high degree of statutory compliance. In this context, the members note that larger municipalities also have problems involving, for example, access to qualified health and care personnel and in fulfilling the requirement for educational personnel in kindergartens. At the same time, the members believe that the socioeconomic costs of municipal mergers are inadequately clarified and emphasised.

Based on the existing knowledge base, the Committee members cannot support the majority's recommendation that larger municipalities is the measure that best contributes to maintaining the principle of generalist municipalities.

The Committee members believe that larger municipalities is one of several measures which, along with the other proposed measures, can contribute to upholding the principle of generalist municipalities and strengthening the generalist municipalities.

The Committee members also emphasise that the decision on larger municipalities will have to be embedded locally and democratically.

### **Active policy for inter-municipal cooperation**

Currently, inter-municipal cooperation is comprehensive and will continue to be necessary and appropriate in the future.

The Committee believes that an active policy for inter-municipal cooperation should be pursued.

The Committee believes that inter-municipal cooperation contributes to solving the challenges of inadequate capacity and competence, especially in small and peripheral municipalities. Through inter-municipal cooperation, professional communities can be established for services that require specialised and interdisciplinary competence. Inter-municipal cooperation contributes to solving challenges in the current system of generalist municipalities by easing the pressure on the principle of generalist municipalities.

There are also disadvantages and challenges related to cooperation. Inter-municipal cooperation provides good opportunities for corporate governance and control, but governance must be structured in a different way than for activities in the municipal organisation. The establishment and operation of cooperation requires resources, and inter-municipal cooperation can complicate political priorities across tasks and services, and necessary interaction and coordination with service areas that are managed by the municipality itself.

The Committee proposes more guidance on the possibilities for inter-municipal cooperation. The guidance may include topics such as choice of form of cooperation, how to ensure governance of the cooperation via, among other things, the municipality's internal control, ownership report and good ownership and the areas in which there is a particular potential for cooperation. The Committee has received comments that may indicate that parts of the regulations are perceived as complicated, and that more guidance on the rules is needed.

The Committee believes that more long-term and broad cooperation with fixed partners will make cooperation easier and better. Such cooperation will reduce the time and resources spent on identifying partners, establishing cooperation and reaching agreement on the distribution of duties.

The Committee believes that the municipalities should work to enter into fixed and long-term cooperation with other municipalities. The municipalities should therefore be guided in this regard and encouraged to enter into long-term cooperation. However, entering into cooperation is voluntary for the municipalities, and it is the municipalities that must ensure that cooperation is fixed and long-term.

The Committee has considered whether a cooperation model should be established in law that is particularly adapted to long-term cooperation in several different service areas. The municipalities currently have many cooperation models to choose from, which can also be used for long-term and broad cooperation, and the municipalities have considerable freedom to structure cooperation in a manner that suits the individual cooperation.

Nevertheless, the Committee is of the opinion that a cooperation model should be regulated in the Local Government Act that is particularly adapted to comprehensive and long-term cooperation, which the municipalities can choose to use. Such a cooperation model may perhaps be particularly relevant for inter-municipal cooperation between municipalities where distances are large and where merging municipalities is less relevant or difficult to achieve.

The Committee has considered whether incentives for inter-municipal cooperation should be considered. The county governors currently provide some support from discretionary funds for the exploration and commencement of inter-municipal cooperation.

The Committee believes there is a need for more guidance on inter-municipal cooperation, and that there should be predictable financial instruments available to support the investigation and start-up of inter-municipal cooperation, if the purpose is more cohesive and long-term inter-municipal cooperation within fixed constellations.

The Committee has found that small and peripheral municipalities face challenges in fulfilling their role as community developer. This applies in particular to statutory regional and spatial planning pursuant to the Planning and Building Act. Many municipalities have outdated plans and there is a lack of competence in the area of planning in many municipalities. This is detrimental, among other things, for the democratic governance of municipal development. At the same time, there is little inter-municipal cooperation in this area. The Committee believes that the municipalities should cooperate more on planning work, in the form of long-term cooperation. Since this relates, among other things, to integrated planning and development of the municipalities, cooperation on plans can also facilitate the development of cooperation in other areas.

The Committee has considered whether a general legal authority should be introduced in the Local Government Act to impose inter-municipal cooperation. The Committee does not find that such a general legal authority would be a particularly good measure to alleviate the challenges identified by the Committee. The Committee is of the view that a legal authority for imposing cooperation may be appropriate in certain service areas, in line with current provisions in certain special statutes that provide a legal authority for imposing cooperation. The Committee is also of the view that orders concerning inter-municipal cooperation may be included as a possible element in a special follow-up scheme for municipalities with extensive challenges, which affect their ability to provide services and safeguard due process for citizens. The conditions for being covered by such a scheme will be strict.

## **Less state governance**

The scope of state governance is considerable. Detailed governance, such as quantified staffing standards, and especially requirements that relate to each individual operating unit and not the municipality as a whole, is particularly problematic. Such detailed governance reduces the local discretion as to how tasks are to be solved by tying up resources and reducing the municipalities' local priorities. This diminishes the ability of the municipal councils in the generalist municipalities to fulfil their overall responsibilities. This is a challenge that applies to all municipalities, but perhaps especially to smaller rural municipalities, which in practice have less genuine discretion due to small budgets, fewer employees and a smaller recruitment base.

Less state governance will not directly lead to better access to capacity and competence in small and peripheral municipalities, but may help relieve them of the number of requirements and tasks to be followed up. State governance in the form of reporting requirements, requirements for type of organisation or special competence is burdensome for all municipalities and must be weighed against the benefits. Stricter statutory and regulatory requirements do not add more capacity and competence to the municipalities, and are therefore often not suited to achieving the objective of the state governance.

The Committee believes that less detailed state governance is necessary to offer local democracy genuine discretion. The Committee believes that the State must set less detailed requirements for services through acts and regulations, so that local elected representatives have the opportunity to prioritise based on local, individual and varying needs. This will also strengthen the overall democratic governance in the municipal council. Furthermore, it provides more room for necessary innovation and interdisciplinary interaction. The municipalities are facing major challenges that require freedom of action to find the best solutions, locally. Therefore, in order to maintain generalist municipalities with unified democratic governance in the municipal council, detailed state governance must be reduced. The Committee believes that detailed state governance puts pressure on democratic governance and local democracy, and is concerned about how this affects recruitment to local politics.

The Committee notes that state governance is necessary to safeguard national interests and to secure rights for the citizens of the municipalities. A reduction in the requirements placed on the municipalities must not reduce the municipalities' responsibilities for safeguarding citizens' rights and providing proper services, as well as safeguarding national interests, such as nature and the environment, biodiversity and public outdoor recreation.

The Committee has found that there is no overview of all the statutory requirements imposed on the municipalities, and recommends that such an overview be prepared. Such an overview will help the municipalities grasp their responsibilities, and serve as a basis for assessing whether some of the state governance of the municipalities is redundant and can be removed.

The Committee believes that the State must be reluctant to expand the municipalities' responsibilities and tasks, without an assessment of whether all municipalities have sufficient access to the necessary competence and sufficient capacity to fulfil their task responsibilities.

The Committee believes that the municipalities' prerequisites should be identified and better taken into account in the governance of the municipalities. This can contribute to better state governance of the municipalities, which, among other things, supports the municipalities' ability to fulfil their responsibilities.

## **More dialogue, guidance and cooperation**

Guidance and dialogue with State authorities, the Norwegian Association of Local and Regional Authorities (KS) and the county authorities contribute to facilitating in order for the municipalities to fulfil their responsibilities.

The Committee believes that the State, within some specialised service areas, can assist the municipalities to a greater extent than is currently the case, for example in the form of shared tools, adapted data or knowledge bases and services that all municipalities can utilise. This could offer relief for the municipality, and may be relevant in areas such as child welfare, substance abuse and mental health, planning work and digitalisation.

The Committee believes that more awareness of the municipalities' differences and different prerequisites is also important when providing guidance and assistance to the municipalities. It is both a matter of understanding and taking into account the different needs of the municipalities when designing guidance, and that the guidance is differentiated so that it is adapted to the different prerequisites of different municipalities.

The Committee believes that efforts should be made to ensure that guidance, dialogue and cooperation are to the greatest extent possible adapted to the needs of the municipalities. The municipalities need both general guidance intended for all municipalities, and more special follow-up.

More knowledge about the municipalities' various prerequisites, and taking such prerequisites into account and emphasising this in the governance of the municipalities will require somewhat more resources and capacity in the guidance system.

There is a risk that more guidance, dialogue and assistance in relation to municipalities may, in practice, be perceived as more governance of the municipalities. Therefore, there must be awareness that it is not governance, but guidance. Municipalities are independent legal entities with their own elected leadership, responsible for their own activities, and the facilitation on the part of the actors surrounding the municipality should support the municipality's own governance and leadership.

## **Investigation of a special follow-up scheme**

The Committee discusses whether a governance instrument should be explored for municipalities with special and persistent challenges entailing that the due process of the municipality's citizens and basic services are not adequately safeguarded. Such a scheme may entail that municipalities that fulfil given criteria, and where guidance, supervision and assistance in advance have not led to the necessary improvement, are covered by a special follow-up scheme.

Inadequate compliance with statutory requirements, entailing that due process for the municipality's citizens and basic services to vulnerable groups are not properly safeguarded, is a relevant criterion in order for a municipality to be covered by the special follow-up scheme. In this context, supervision and appeal proceedings can provide relevant information. Less clear criteria may also be envisaged, for example that the county governor or other supervisory body, based on an overall assessment, finds a need for special follow-up of the municipality.

The majority of the Committee's members believe it should be further explored whether the State should be given such a governance instrument. There currently exist some instruments available to municipalities with special and persistent challenges, including guidance and financial support. What will differ from the current instruments is that the scheme may

contain coercive elements or penalties in relation to the municipalities, such as requirements to take part in guidance and development work, orders to cooperate with other municipalities or to investigate municipal mergers.

This will be a scheme that will only come into force in special cases, and it will likely only apply to a few municipalities. In a system of generalist municipalities where the benefits of local self-government are emphasised, together with the fact that the municipalities have a broad task responsibility, the criteria for being covered by such a special follow-up scheme should be strict.

There is a certain risk that such a scheme may have the effect of municipalities losing motivation to change the adverse conditions themselves. A follow-up scheme must be designed so that it contributes as far as possible to supporting the municipality's own ability and willingness to manage its own development. If not, the measure may have the opposite of the intended effect.

The Committee believes that such a scheme would represent an interference with municipal self-government and constitute strong state governance. The Committee also finds that assessments of whether the municipalities fulfil the criteria for inclusion in such a scheme may be difficult, and must allow for some discretion.

Nevertheless, the majority of the Committee believes that such a scheme should be further explored. There are many issues that need to be explored, including what criteria should form the basis for a municipality to be covered by the scheme and what elements the scheme should contain.

The majority of the Committee's members assume that such an exploration be carried out in accordance with the principle of proportionality. This means that consideration must be given to which national objectives the follow-up scheme is intended to contribute, an assessment must be made of whether the scheme is suitable and necessary to achieve the national objectives, and whether the advantages of the follow-up scheme outweigh the disadvantages.

### *Special remark*

Committee members Schade and Kvinlaug, believe that such a scheme would represent too great a state intervention in municipal self-government. There are currently instruments for dialogue between the State and local government that can be used. These members also finds that assessments of whether the municipalities fulfil the criteria for inclusion in such a scheme may be difficult, and must allow for some discretion, which will cause uncertainty for the municipalities.

### **Adequate and predictable financial frameworks**

The municipalities receive revenues from various sources, most of which are distributed through the revenue system. Norway is now entering a period in which growth the growth in revenue in the National Budget is expected to slow down. The value of the Norwegian Government Pension Fund Global will increase at a much slower pace than in the previous decade. This means that the period involving a sharp increase in the use of petroleum revenues is largely behind us. The ageing population, with fewer employed persons for each pensioner, also entails weaker underlying growth in tax revenues. At the same time, expenditure on pensions and health and care services will increase significantly. The financial discretion in fiscal policy for new initiatives will thereby be significantly reduced in the future. In the context of the new security situation, there is broad political consensus that security and defence should be given higher priority than before, which could reduce the

financial discretion in the National Budget. Overall, this may entail a weaker revenue development for the local government sector in the period ahead and considerably less discretion than we have been accustomed to, after the expenses associated with an ageing population have been covered.

If revenue growth in the local government sector is weak and may not keep pace with demographic costs, it will affect all the country's municipalities, but the challenges will probably increase most in populous low-income municipalities. These are primarily large municipalities with lower tax revenues that do not receive a grant for metropolitan areas, that receive relatively little equalisation of expenditure, partly because distances are small, and where there is often an accumulation of citizens with societal challenges. In addition, there are some small municipalities with little financial discretion that currently face challenges and which could also face even greater challenges in such a situation.

In the Committee's assessment, weaker development in municipal finances may entail that more municipalities face greater challenges in fulfilling all statutory requirements.

Low-income municipalities already have limited financial resources to implement the necessary measures to meet citizens' socioeconomic needs. In a future with a weak revenue development for all municipalities, and a demographic development where relatively fewer people have to generate welfare for a larger number of people, the challenges for the larger low-income municipalities will be amplified. These municipalities are already implementing extensive cuts in the quality and scope of services due to a lack of financial resources. When there are only resources to deliver statutory services, resources for early intervention and preventive work for children and young people, and resources for digitalisation, innovation and restructuring work, as well as good governance and social development, will be marginalised.

The Committee notes that adequate and predictable frameworks in the form of local government revenue and a redistributive revenue system are crucial for maintaining the system of generalist municipalities in the future, as well.

## **Good governance and management**

Both the assessment the Committee has received on statutory compliance, and other assessments of the municipalities, show that there is considerable variation within and between the various groups of municipalities. Even if the majority or average in a group of municipalities shows a result, there may be municipalities in the same group of municipalities that perform very well, or very poorly. This may indicate that some municipalities, with otherwise similar prerequisites for fulfilling statutory requirements, are able to solve the tasks in a better way than others.

There may be several reasons for this, but good governance and management are essential for the municipalities to comply with their statutory obligations and develop the municipality. Political leadership is about putting the challenges facing the municipality on the agenda, and highlighting what should be done to solve these challenges. Administrative management, on the other hand, is about good management of the municipal organisation's human and financial resources, and about facilitating good political processes, trade-offs and decisions. Chapter 5 refers to the Municipal Index, which concludes that good management and hard work are necessary to achieve good results in the municipalities, and that *a lot of money or luck* is not sufficient.

The interaction between politics and administration is key to achieving the best possible development and operation of the municipalities. In order to achieve good interaction and

cooperation, confidence and a good understanding of roles among both elected representatives and the administration are crucial. A clear division of responsibility is important for a good understanding of roles.

The Committee believes that good governance and management are crucial for the municipalities to fulfil their roles and tasks. The municipalities themselves have a particular responsibility for their own activities, including internal control and sound financial management.

The Committee believes that further work must be done on training and guidance to strengthen the intentions of the Local Government Act and the framework conditions for good governance and management. This applies in particular to the responsibilities and authority of the elected representatives, the division of labour between politics and administration, and the responsibility and authority of the chief municipal executive.

### **Special challenges in municipalities with extreme distance burdens**

For some municipalities, both mergers and inter-municipal cooperation will be difficult to achieve. This is especially true where there are considerable distances between the municipalities, which is exacerbated in Northern Norway where the challenging climate entails that municipalities are periodically cut off from neighbouring municipalities. In other places, small rural municipalities may be located relatively close to municipalities that are just as small and which have the same challenges. In such areas, it can be challenging to achieve good, long-term solutions without assistance from a larger central municipality, located further away.

It is uncertain how many municipalities have extreme distance burdens. Of the 163 municipalities that are small and peripheral, 61 are defined as separate housing and labour market regions. 34 of these are located in Northern Norway. At the same time, it is important to note that housing and labour market regions give an indication of the current interaction across municipal boundaries, not the potential for interaction. A business establishment in a neighbouring municipality can increase commuting and thereby ensure that the municipality becomes part of a larger housing and labour market region.

There are about 15 municipalities in Northern Norway with considerable distance challenges (more than two hours travel time to the neighbouring municipality) and where the municipality is periodically cut off from neighbouring municipalities. There is also a small number of municipalities with similar characteristics in other parts of the country. In these cases, it is difficult to implement measures to address the challenges identified in the Committee's review.

In light of the new security situation, it is important to have a presence throughout the country, and especially in Finnmark. The Committee emphasises that it is crucial that the municipalities are able to fulfil their role as generalist municipalities in order for people to reside in these strategically significant areas.

The Committee believes it is important that these municipalities also take active steps to ensure that they are in the best possible position to fulfil their responsibilities. The Committee takes a positive view of the work commenced by the County Governor of Troms and Finnmark to assist municipalities in Finnmark in facilitating comprehensive and long-term inter-municipal cooperation with fixed partners. The Committee notes that a cooperation model that is particularly adapted to long-term and fixed cooperation, which the Committee recommends be regulated in the Local Government Act, may be appropriate to use for such cooperation.

The Committee believes that the State must pay special attention to these municipalities, and consider introducing measures of such a nature and degree that the population size in these municipalities is stabilised. This entails both assessing person-centred measures to ensure settlement, and administrative solutions that contribute to functioning generalist municipalities.

### **The role of the county authorities**

The county authorities are on an equal footing with the municipalities as an administrative level. The main focus for the Committee has been the municipalities, but the Committee's mandate states that the Committee can examine at the relationship and interfaces with the county authority.

The county authority is relevant in relation to some of the measures considered by the Committee. Inter-municipal cooperation may also be entered into between municipalities and county authorities (excluding host municipality cooperation). Any inter-municipal cooperation between municipalities and county authorities is mainly relevant in interfacing service areas, such as planning functions or teaching/the Educational-Psychological Services (PPT).

Pursuant to the Planning and Building Act, the county authorities are currently required to guide and assist the municipalities in their planning tasks. Several counties provide assistance and support for statistics and analysis. Assessments show that the supervisory role in the area of planning functions vary differently from county to county. Comments the Committee has received from the municipalities support this observation.

The assessment carried out by the Committee shows that many municipalities have a considerable lack of capacity and competence in regional and spatial planning. The Committee believes that the guidance role of the county authority should be clarified, and that more practical assistance should be provided to the municipalities in their planning, where the municipalities lack capacity and competence.

If new tasks are transferred in the area of community development which could have an impact on the municipalities, consideration should be given to legislating a guidance task for the county authority modelled on serving as a technical planning guide for the municipalities. This could alleviate the challenge of lack of access to capacity and competence to fulfil the responsibilities set out in legislation and solve future societal challenges.

There is reason to question whether the scope of national guidelines to be used as a basis for municipal planning is at a realistic level. In addition, many county authorities adopt a number of plans with guidelines that they expect the municipalities to take into account in their planning. The system appears complicated and is poorly connected, both horizontally and vertically.

The content of the county authorities' role as community developer is unclear, and is currently exercised very differently by the county authorities. In addition, such a role, where the county authorities set the premises for municipal community development, challenges municipal self-government. Therefore, the Committee is of the opinion that the main responsibility for facilitating local community development and spatial planning should lie with the municipalities. The county authorities' regional plans should to a greater extent be based on municipal plans.

Larger municipalities and/or more extensive inter-municipal cooperation on plans will also pave the way for more responsibility to be assigned to the municipalities.

## **Transferring tasks away from all municipalities is not an adequate measure**

The Committee has found that small and specialised services that require a certain professional environment are challenging in many municipalities. Distribution of tasks between the State, county authorities and municipalities is a relevant instrument.

Transferring such tasks from all municipalities can solve some of the challenges related to lack of capacity and competence. If one or more tasks are transferred from all municipalities, this will not undermine the principle of generalist municipalities.

Transferring tasks away from the municipalities will affect the broad responsibilities and democratic governance that currently defines the generalist municipality. However, the extent to which it can be said to influence the generalist municipality will depend on the size of the task and how many tasks are transferred. Transferring a smaller task will not affect the broad portfolio of tasks. However, if a larger number of tasks are transferred, it may be questioned whether the municipalities will continue to be generalist municipalities with a broad responsibility for tasks.

Because the challenges with the current system of generalist municipalities are mainly greatest in small and peripheral municipalities, the Committee believes that transferring tasks away from all municipalities will not be an adequate measure.

## **Other instruments and measures**

In addition to the Committee's recommendations, the Committee believes that there are several other instruments, measures and areas that also influence how the system of generalist municipalities functions. The Committee identifies several topics that are important for functioning generalist municipalities and a well-functioning system of generalist municipalities in the future.

### *Innovation, adaptation and digitalisation*

There is a great need for new solutions if the public sector is to continue to offer good services in line with citizens' expectations. All municipalities must work actively on innovation, adaptation and digitalisation.

Innovation is about developing new ways of solving tasks, through, among other things, new structuring, new division of labour, new working-hour schemes, new work processes and other development work. Many municipalities perform this work well and with good public participation. The need for innovation and new solutions is increasing, and efforts should be strengthened in all municipalities.

The Health Personnel Commission describes and explains why it is not possible to hire your way out of the challenges facing the municipal sector in a situation where public sector expenditure is to be reduced, demographic developments contribute to an increased need for services and the gap between citizens' expectations of services and the municipalities' capacity to solve the assignment is increasing. In such a situation, the Committee believes that it will be even more important to develop and make use of available competence in the best possible manner, make use of available digital tools, and ensure capacity for the necessary innovation and the ability to undergo continuous adaptation. For many municipalities, it will be natural for this to occur by way of cooperation.

*Digitalisation and artificial intelligence* has great potential to contribute to a better and more efficient task solution in the municipalities. A lot is already happening today, but the development of digital solutions is continuous. Technological development enables new ways

of solving tasks, for example in elderly care using welfare technology, or in the processing of building applications. This can increase the quality of services and free-up labour.

Digitalisation, artificial intelligence and robotisation can lay the foundation for higher productivity growth in the public sector. Artificial intelligence can, among other things, contribute to delivering more accurate services, streamline operations and work processes, provide better decision support in administrative proceedings and reduce risk. Lack of competence is highlighted as a challenge for the use of artificial intelligence.<sup>1</sup>

Digital solutions can contribute to solving some of the challenges in small and remote municipalities where there is a lack of competence and capacity, and where there are considerable distances. At the same time, the lack of competence and capacity is also a challenge with regard to digitalising services.

The Committee believes that an increased degree of digitalisation, automation and robotisation are important instruments for strengthening the generalist municipality, because they free up capacity and competence, provide increased access to data and a better basis for decision-making, and can effectively relieve the municipality's control and authority tasks. In addition, digital tools provide new and good opportunities for interaction and transparency.

Large municipalities are leading the way and developing solutions both together with and on behalf of other municipalities. This is good and necessary. There is also a great deal of both inter-municipal and regional cooperation on digitalisation. However, the Committee believes that the municipalities should cooperate and coordinate to a far greater extent in order to avoid further gaps and prevent digital exclusion for small municipalities with little capacity and competence in digitalisation. The Committee believes that regional and national cooperation on digitalisation should be intensified. The municipalities themselves have a particular responsibility for prioritising this work, including prioritising resources in this regard.

The Committee believes that the need for increased binding cooperation and competent municipalities is particularly great in relation to civil protection, as the threat picture becomes more complex and the municipalities' service production is completely dependent on functioning digital solutions.

The Committee also believes that the work on managing and coordinating the shared national services should be strengthened, and more funding should be allocated so that solutions can be developed faster and scaled in line with society's needs. The municipalities should become an even stronger premise provider in the work on developing the shared national services.

### *Co-creation and the voluntary sector*

All municipalities will benefit from working in collaboration with other actors in the local communities to find good solutions to the challenges. The public sector cannot solve all challenges and tasks alone. Therefore, it is also necessary to cooperate with the voluntary sector, business sector and other local forces in order to jointly find good solutions for citizens. At the same time, it is important that volunteers do not take over responsibility and that the municipalities are aware that volunteers cannot be obliged to perform tasks.

It is important that the municipalities facilitate the voluntary sector through good, predictable cooperation and framework conditions, as far as possible. A local and active volunteer policy will contribute to this.

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<sup>1</sup>Ministry of Local Government and Modernisation (2020a)

In recent years, many municipalities have worked actively on co-creation, whereby politicians and employees as far as possible find solutions together with those affected, such as citizens, clubs and associations, the business sector or other actors. Co-creation can make available resources in the local community and contribute to a revitalisation of local democracy. The Commission on future demography in rural settings noted that work on the social component of the municipal master plan is highly relevant in order to invite co-creation, but that this requires resources and that small rural municipalities have a shortage of precisely the resources needed to work on development and co-creation. However, the Committee notes that co-creation also has some weaknesses, such as the fact that those with the most resources are also the ones who most often participate in these municipal processes, which in turn may provide increased space for strong special interests. It is also resource-intensive, and it may conflict with the principle of representative democracy, as well as complicate accountability.

### *Education, housing and commercial development in rural areas*

The Commission on future demography in rural settings<sup>2</sup> was appointed to explore the consequences of demographic challenges in rural areas. The purpose was to obtain more knowledge about how the trend towards an increased proportion of elderly persons and lower proportion of working-age persons will affect the less central parts of the country, as well as identify consequences and challenges, particularly with regard to maintaining the sustainability of the communities. In the report, the Commission notes several measures to ensure that the migration flow goes from more to less central areas, and believes this requires a different rural policy approach. Highlighted measures include physical infrastructure that connects areas to larger housing and labour markets, digital infrastructure that connects the entire country and a more well-functioning housing market in rural areas for young and old.

Rural policy is also about business policy and creating jobs. It is important to facilitate for local business and local value creation in rural municipalities by way of predictable framework conditions, as this contributes to jobs, population growth and revenue. To contribute to this, instruments such as differentiated employers' National Insurance contributions have been established. In Finnmark and Nord-Troms, there are also person-centred instruments in the action zone for Finnmark and North Troms.

Municipalities are already facing challenges in recruiting staff, especially nurses. The report by the Health Personnel Commission shows that the need for nurses and healthcare workers will increase considerably in the future, although innovation and technology can help reduce this need. Lack of competence in the health sector, in planning, ICT and digitalisation and the technical sector applies to all municipalities, but is particularly challenging in small and peripheral municipalities where the services are small and it is difficult to get enough people and recruit specialised competence, among other things. Like the Commission on future demography in rural settings, the Committee believes that a flexible and decentralised educational provision

that can also ensure lifelong learning is necessary. The Committee also supports the Commission on future demography in rural settings' view that the educational capacity in health and care professions must be increased.

The Committee believes that it is necessary to have sound housing, educational, business and rural policies that facilitate settlement, competence building and business development, nationwide.

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<sup>2</sup>NOU 2020: 15

## The Committee's recommendations

The Committee recommends that the principle of generalist municipalities be continued.

The Committee will therefore not recommend differentiated responsibilities as a measure to solve the challenges facing today's municipalities.

The Committee also does not recommend moving task responsibility away from all municipalities to the county authorities or the State.

*The Committee believes that there is a need to take several measures to solve the challenges in the current system of generalist municipalities:*

1. The Committee's majority believes that larger municipalities is the measure that will best uphold the principle of generalist municipalities and strengthen the generalist municipalities. The Committee's majority believes that larger municipalities will in the vast majority of cases contribute to solving the challenges of lack of capacity and competence.
  - The Committee's majority believes that an active policy to achieve larger municipalities, with available instruments that support local initiatives and negotiations must be pursued.
  - The Committee's majority recommends that existing instruments to encourage and facilitate local mergers, and contribute to a future-oriented municipal structure, be continued and strengthened.
  - The Committee's majority recommends that the economic incentives be evaluated, with the aim of uncovering weaknesses and areas of improvement in the schemes.
  - The Committee's majority recommends a review of other instruments that can strengthen governance and management of municipal mergers, and facilitate good local processes. The review should involve an evaluation of the Local Government Boundaries Act, and a more unambiguous and uniform follow-up on the part of the county governor should be considered.
  - The Committee's minority, Committee members Schade and Kvinlaug, do not support the position that larger municipalities is the measure that best upholds the principle of generalist municipalities, strengthens the generalist municipalities and solves the challenge involving lack of capacity and competence. Reference is made to the special remark in section 14.3.1
2. The Committee believes that an active policy for inter-municipal cooperation should be pursued.
  - The Committee believes there is a need for more guidance related to inter-municipal cooperation.
  - The Committee believes there is a need for more comprehensive and long-term inter-municipal cooperation in fixed constellations. The Committee recommends that a cooperation model particularly adapted to such cooperation be introduced in the Local Government Act.
  - The Committee believes that many municipalities should especially increase cooperation in the area of planning, for example, through the establishment of inter-municipal planning offices.

- The Committee believes there is a need for more guidance on inter-municipal cooperation, and that there should be predictable financial instruments available to support the investigation and start-up of inter-municipal cooperation, if the purpose is to provide more cohesive and long-term inter-municipal cooperation within fixed constellations.
  - The Committee believes that state-imposed inter-municipal cooperation may be a solution in special areas, regulated in relevant special statutes. The Committee does not recommend that a general legal authority to impose cooperation be introduced in the Local Government Act. However, the Committee believes that an order concerning cooperation could be a possible element in a special follow-up scheme for municipalities with comprehensive challenges.
3. The Committee believes that detailed state governance should be reduced. Detailed state governance reduces discretion for all municipalities, and reduces the possibility of prioritisation based on local needs and political desires.
- The Committee believes that local discretion is necessary to be able to adapt the provision of services and tasks to local conditions, and to develop innovative solutions to the challenges facing the municipalities.
  - The Committee believes that quantified staffing standards are most often unsuitable management tools.
  - Requirements for special processes and reporting requirements must be limited to what is strictly necessary.
  - The Committee proposes that an overview of all legislative and regulatory requirements for the municipalities be prepared.
  - The Committee notes that state governance is necessary to safeguard national interests and to secure rights for the citizens of the municipalities. A reduction in the requirements placed on the municipalities must not reduce the municipalities' responsibilities for safeguarding citizens' rights and providing proper services, as well as safeguarding national interests, such as nature and the environment, biodiversity and public outdoor recreation.
  - The Committee recommends that the statutory principle of proportionality be clearly incorporated into the State's instructions, guidelines and guidance for state governance of municipalities and county authorities.
4. The Committee recommends that the State take a more active role in facilitating in order for all municipalities to be able to fulfil their tasks.
- Such facilitation may include assisting the municipalities with knowledge and competence through the provision of data and knowledge bases that are easily accessible, and collaborating with the municipalities on measures to achieve common objectives, such as a national digital infrastructure.
  - The Committee believes that the municipalities' different needs and different prerequisites must be identified and better taken into account in the governance of the municipalities. This applies both in the investigation and design of new legislative and regulatory requirements, and in other governance, guidance, dialogue and cooperation.

5. The Committee's majority believes that a special follow-up scheme for municipalities with considerable and persistent challenges should be investigated in greater detail.
  - The Committee's minority, Committee members Schade and Kvinlaug, believe that such a scheme would represent too great a state intervention in municipal self-government. There are currently instruments for dialogue between the State and local government that can be used. These members also finds that assessments of whether the municipalities fulfil the criteria for inclusion in such a scheme may be difficult, and must allow for some discretion, which will cause uncertainty for the municipalities.
6. The Committee believes that adequate and predictable frameworks and a redistributive revenue system are crucial for maintaining the system of generalist municipalities in the future, as well.
7. The Committee believes that the guidance role of the county authority should be clarified, and that more practical assistance should be provided to the municipalities in their planning, where the municipalities lack capacity and competence.
8. The Committee believes that the main responsibility for local community development and spatial planning should lie with the municipalities. The county authorities' regional plans should to a greater extent be based on municipal plans.
9. The Committee believes that further work must be done on training and guidance to strengthen the intentions of the Local Government Act and the framework conditions for good governance and management.
10. The Committee believes that efforts for innovation, restructuring, digitisation and collaboration with the voluntary sector, business sector and other local forces should be strengthened.
11. The Committee believes it is important to have good housing, education, business and rural policies that facilitate settlement, competence building and value creation, nationwide.
12. The Committee believes it is particularly important that the State has a special focus on the most peripheral and vulnerable municipalities in Northern Norway.