

# Local Authorities Act

No. 138/2011, 28 September

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*Legislative history in the Alþingi (Icelandic parliament). A Bill for an Act.*

**Entered into force 1 January 2012.** Amended by [Act No. 159/2011](#) (entered into force 1 Jan 2012), [Act No. 21/2012](#) (entered into force 16 March 2012), [Act No. 148/2012](#) (entered into force 1 Jan 2013), [Act No. 28/2013](#) (entered into force 1 June 2013 and remained in force to 31 May 2018), [Act No. 10/2014](#) (entered into force 4 Feb 2014), [Act No. 53/2018](#) (entered into force 22 June 2018) and [Act No. 73/2018](#) (entered into force 27 June 2018).

In the event that this Act mentions a Minister or Ministries without specifically identifying the scope of authority or referring thereto, the Act applies to the **Minister of Transport and Local Government** or the **Ministry of Transport and Local Government Authorities** responsible for the implementation of this Act. Information on the scope of authority of ministries according to presidential ruling can be found [here](#).

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## Chapter I. General provisions on municipalities.

### ■ Article 1. *Autonomy of municipalities.*

The country is divided into municipalities which are responsible for governing their own affairs.

The administration of the municipality is managed by the local authorities who are elected by their residents through democratic elections in accordance with the Local Government Elections Act.

Each person shall be deemed a resident of the municipality in which they are legally domiciled.

Municipalities are legal entities.

### ■ Article 2. *Overall administration of local government affairs.*

The Ministry responsible for local government affairs is in charge of the affairs of the municipalities.

The Minister responsible for local government affairs shall take account of, and respect, the autonomy of the municipalities, the tasks they undertake and their finances.

No matter which specifically involves the interests of a municipality may be resolved without consultation with the municipal council.

[The Minister responsible for local government affairs shall, at least every three years, submit to the Alþingi proposals for parliamentary resolutions regarding the policy formulation schedule of the government as relates to municipal affairs for the following fifteen years. The schedule, moreover, shall establish an action plan for the next five years in this field.

The Ministry, the Icelandic Association of Local Authorities and municipalities are to be

consulted when preparing proposals for policy formulating schedules and action plans according to the fourth paragraph. In addition, stakeholders are to be consulted as needed. Account must also be taken of the policy formulation stated in regional development plans and expansion of operations that are prepared in accordance with the Act on Regional Development Plans and Expansion of Operations. Finally, the public must be given the opportunity to present its views and comments in an open consultation process.

The Minister shall, by regulation<sup>1)</sup>, establish further provisions on the preparation of policy formulating and action plans, as provided for in the fourth and fifth paragraphs.]<sup>2)</sup>

<sup>1)</sup>Reg. No. 1245/2018. <sup>2)</sup>Act No. 53/2018, Article 10

■ **Article 3.** *The object and premise of the Act.*

This Act forms a general foundation for the operation and administration of municipalities. The Act is based on the premise that:

1. municipalities are independent authorities that are administrated by democratically elected local authorities acting on behalf of the residents of the municipality,

2. the arrangements and working conditions of municipalities must be organised so as to enable them to take responsibility for the execution of the tasks with which they are entrusted,

3. municipalities may collaborate with each other as regards the operation of the tasks that they are unable to undertake on their own or believe will be more economical to resolve in such a manner,

4. the involvement of other authorities in the affairs of municipalities should always take account of the constitutional independence of the municipalities and the European Charter of Local Self-Government,

5. municipalities are to have independent revenue bases and self-determination as regards the price lists they are authorised to establish.

■ **Article 4.** *Municipal boundaries.*

Municipalities have certain boundaries that are dependent on the outer limits of the sites of real property, including national land, that lie within them.

Municipal borders may not be altered except by law.

Notwithstanding the provisions of the second paragraph, the Minister may alter the boundaries of municipalities in conjunction with the merging of municipalities or in confirmation of an agreement between municipal councils. Confirmation of a change to the boundaries of a municipality shall be published in the Official Gazette (Stjórnartíðindi).

The entitlement of municipalities to make decisions or comments on the use of the sea floor within the Icelandic economic zone, but outside the boundaries of the municipality, is governed by the provisions of special legislation in force each time.

■ **Article 5.** *Names of municipalities.*

The municipal council decides upon the name of a municipality, having received the opinion of the Place Names Council (Örnefnanefnd). The name of a municipality shall be consistent with Icelandic grammar and usage. If a referendum is held among residents on their views regarding a change of name or adoption of a name for a new municipality, the opinion of the Place Names Council shall be elicited regarding the names in question.

The name of a municipality may not be changed, or a new name given to a municipality, except by confirmation from the Ministry. When the new name of the municipality has been decided, a local ordinance relating to the governance of the municipality, cf. Article 9, shall be amended accordingly and the new name established on its entry into force.

■ **Article 6.** *Municipal logos.*

- A municipal council may decide upon a logo for the municipality. Registration of a municipal logo grants the municipality exclusive rights to use that logo.
- Municipal logos shall be registered with the Patents Office, which receives applications and assesses whether the logo may be registered.
- The Minister in question shall issue more detailed rules on registration of municipal logos, e.g. with regard to applications and procedure, conditions for registration, invalidation, promulgation and fees for applications and for certificates from the register of municipal logos.

■ **Article 7.** *General obligations of municipalities.*

- Municipalities are under obligation to carry out the tasks assigned to them by law. The Ministry annually issues an advisory summary of the legitimate tasks of the municipalities, classified according to whether the tasks are mandatory or not.
- Municipalities shall work for the common welfare of the residents, as far as they are able at any time.
- Municipalities may undertake any task relating to the residents of the municipality, provided that it is not assigned to others by law.

**Chapter II. Local authorities.**

■ **Article 8.** *Role of municipal council.*

- The municipal council governs the municipality as provided in this Act and other legislation. The work carried out by municipal authorities is carried out on a single administrative level if not directly provided otherwise by law.
- Local authorities have decision making powers as regards the use of income bases, borrowings and the allocation of assets, and the execution of the tasks of the municipality. The local authorities shall be responsible for ensuring that statutory obligations are carried out and monitor that the appropriate rules in the work of the municipality are followed.
- A municipal council may pass resolutions upon any matters it deems relevant to the interests of the municipality.

■ **Article 9.** *Ordinance on government, administration and rules of order.*

- Municipal councils shall prepare a special ordinance on the governance and administration of the municipality and on procedures in the matters handled by the municipality. This must also provide for the rules of order of the municipal authorities and its committees. The ordinance is entitled Ordinance on municipal management and shall be sent to the Ministry for confirmation.
- The Ministry shall draw up a prototype for council ordinances according to Article 1, which shall be published in the Official Gazette (Stjórnartíðindi). The prototype shall remain in effect until a special ordinance has been drawn up for the municipality.

■ **Article 10.** *Titles of municipal councils, etc.*

- The highest authority within each municipality shall be called municipal council [sveitarstjórn]. A municipal council may use the title rural district council [hreppsnefnd] or bæjarstjórn [town council], as these terms have traditional status. The municipal executive board [byggðaráð] may, by the same token, be titled town executive board [bæjarráð] or rural district executive board [hreppsráð], the executive director may be titled head of the municipal council [bæjarstjóri or sveitarstjóri] and the oddviti may be titled the president of the town council or president of the municipal council.
- Reykjavík is the capital of Iceland. In Reykjavík, the municipal council is termed city council [borgarstjórn], byggðaráð is the municipal executive board, the executive director is

termed borgarstjóri [city mayor] and the oddviti is referred to as the president of the city council.

■ **Article 11.** *Number of councillors on a municipal council.*

□ The number of representatives on a municipal council shall be an odd number. The number of representatives on a municipal council shall be determined in the ordinance according to Article 9 and shall be within the following limits:

1. With a population of fewer than 2,000: 5–7 council members.
2. With a population between 2,000 and 9,999: 7–11 council members.
3. With a population between 10,000 and 49,999: 11–15 council members.
4. With a population between 50,000 and 99,999: 15–23 council members.
5. With a population numbering 100,000 or more: 23–31 council members.

□ Notwithstanding the provisions of paragraph 1, it is not obligatory to increase or to reduce the number of representatives on the municipal council until the population of the municipality has been higher, or lower, than the stated levels for four consecutive years, counting from the beginning of the year prior to the next election of the municipal councils. Population figures are based on the population register of Registers Iceland [Þjóðskrá Íslands].

■ **Article 12.** *New municipal council appointed.*

□ A newly elected municipal council shall assume its functions 15 days after election day. The outgoing municipal council retains its powers, within the limits established by laws on elections to municipal councils. A newly elected municipal council does not have the authority to make decisions on the affairs of the municipal council or the municipality before it takes up its duties.

□ The elected member of the municipal council who has been a councillor for the longest time shall call the first meeting not later than 15 days after the council takes office after the election. He chairs meetings until a council leader has been elected. Should two or more councillors have been on the council for an equal period, the elder/eldest of them shall undertake the tasks provided in this paragraph. The first meeting shall be called with at least four days' notice.

■ **Article 13.** *Election of council leader and deputy.*

□ The council shall elect a leader and one or more deputy leaders at the first meeting.

□ The member receiving the votes of a majority of the members of the council is the rightfully elected leader. Should no candidate receive a sufficient number of votes, another election shall be held. In the second round, the member receiving the votes of a majority of the members attending the meeting is the rightfully elected leader. The same applies if the person is the only one who receives votes.

□ If no result is achieved in the second election, a third election must be held, and this time it shall be between the two members that received the highest number of votes in the second round. If necessary, lots shall be drawn to determine which two shall stand for election. The person who receives more votes shall be considered rightfully elected. In the event of an equality of votes, lots shall be drawn.

□ Once the leader of the council has been elected, a deputy council leader is to be elected. The election of the deputy is performed in the same manner as that of the leader, provided that his election is not governed by the fifth paragraph.

□ An ordinance on the governance of the municipality may decide that the first and second deputy should be elected to undertake, in that order, the work of the leader in his absence. Their election should be by proportional vote, provided that a unanimous agreement to do

otherwise has not been reached within the council.

When a leader and deputy leader(s) have been elected, the Ministry shall be notified immediately.

The electoral term of the leader and deputy leader is the same as that of the council unless otherwise decided by the council. In the event that the leader or his deputy no longer enjoys the support of the council, a new election shall be held for these positions. The same applies in the event that the leader or deputy is permanently unable to perform his duties or requests release from office.

### **Chapter III. Municipal council meetings.**

#### **■Article 14. *Obligation to hold meetings.***

Municipal councils shall hold regular meetings at a venue and time decided in advance or as provided in the ordinance on municipal governance. Extraordinary meetings shall be held when the leader or Managing Director considers necessary or when a third of council representatives so request.

The council may cancel its regular meeting, provided that a proposal for such event is approved without dissenting vote during the meeting immediately preceding the meeting that is to be cancelled.

#### **■Article 15. *Calling and advertisement of meetings.***

The Managing Director or leader, as decided by the municipal council, calls meetings. The call to meeting shall be delivered to council members not later than two days (48 hrs) prior to the meeting. The call to extraordinary meeting shall be delivered to council members as soon as possible and not later than one day (24 hrs) prior to the meeting. Extraordinary meetings shall be called no later than two working days after a request thereto has been delivered to the entity responsible for calling meetings. Further instructions on calls to meetings may be established in an ordinance on the governance of the municipality.

Calls to meetings shall be accompanied by the agenda of the meeting and the documentation necessary to allow council members to make informed decisions on the issues specified therein.

The residents of the municipality shall be informed by a public announcement of the time and venue of council meetings. In addition, the council shall publish, within the same timeframe as applies to council members, the call to meeting and its agenda, provided that rules on confidentiality do not apply. An announcement on the website of the municipality is considered sufficient.

#### **■Article 16. *Open meetings.***

The meetings of the municipal council are open meetings. The council may decide to debate specific issues in camera when this is deemed necessary due to the nature of the case. The leader or the council may, moreover, decide to discuss in camera proposals for in camera meetings.

Notwithstanding the fact that a meeting is held in camera, the decision may be made to allow particular employees of the municipality to attend the meeting.

#### **■Article 17. *Quorum and vote.***

A council does not constitute a quorum unless more than half the councillors are present.

Issues shall be decided a majority vote at council meetings. Abstention shall be deemed participation in the vote. If votes in favour of an issue and against are equal, it shall not be passed. In the case of an election, lots shall be drawn.

In the event of long distances within the municipality or if transportation is difficult,

teleconferencing equipment may be used for council meetings. The use of such equipment must be provided for in the ordinances relating to the government of the municipality.

■ **Article 18.** *First and second debates in council.*

□ Councils shall hold two debates, at an interval of at least one week, on:

1. ordinances and other rules which by law are subject to confirmation by the Minister,
2. confirmation of the annual financial statements,
3. policy formulating plans that are to remain in effect in the long term and apply to the municipality as a whole or the majority thereof,
4. a proposal for a merger with another municipality according to the second paragraph of Article 120.

□ Municipal authorities shall have two debates with an interval of at least two weeks to address the budget of the municipality according to Article 62. This provision, however, does not apply to approved annexes to budgets.

■ **Article 19.** *Chairing meetings and minutes.*

□ The president of the municipal council chairs the meetings of the local authorities. He is responsible for ensuring that the minutes are recorded and that meetings in other respects are carried out in accordance with acts of law, the resolutions of the municipality and general rules of order.

□ The Minister establishes, by means of an advertisement, instructions on the recording of the minutes of municipal councils, including what must be recorded therein, on their confirmation immediately after the meeting and the registration and treatment of electronic minutes. These shall also contain more detailed criteria on the execution of teleconferencing in accordance with the third paragraph of Article 17.

■ **Article 20.** *Eligibility for participation in the treatment and processing of individual issues.*

□ The eligibility of councillors, committee members and the employees of municipalities to participate in the handling or processing of issues where appropriate, or which should be addressed, to make administrative decisions according to the second paragraph of [Article 1 of the Administrative Procedures Act No. 37/1993](#), is governed by the provisions of the Administrative Procedures Act provided not otherwise stated in this Act. The person in question, however, can only be deemed ineligible if he is or has been a party's spouse, a relative in the descending or ascending line, whether natural or adoptive or by marriage, or a first cousin unless stricter rules are established in the ordinance on government and rules of order. An employee of a municipality, moreover, cannot be deemed disqualified due to the ineligibility of a superior if the nature of the case or the structure of the management system of the municipality does not give rise to such.

□ In cases other than stated in the first paragraph, a councillor, committee member or employee of the municipality must disqualify himself from the debate and resolution of a case when he or some close relative has such strong personal interests at stake that his views may be deemed to be influenced to some extent by this. This rule also applies to the preparation of agreements on behalf of the municipality.

□ Councillors are not disqualified when representatives are chosen to perform duties for the municipality or when stipends for such work are decided.

□ Councillors or committee members who are also employees of the municipality and have as such taken part in preparing or making a decision on a matter to be submitted to the council or committee shall always be disqualified when the matter comes before the council or the committee. This provision does not apply, however, to the Managing Director.

□ The provisions of the fourth paragraph do not apply when the council or the committee in

question debates and processes annual financial statements, budgets, planning schedules and other general schedules of the municipality, provided that the councillor or committee member does not have special and significant interests in excess of others in the processing of the matter in question.

A councillor, committee member or employee of the municipality who knows that his eligibility or that of another is open to doubt must, without delay, inform the leader, chairman of the committee or his immediate superior of such circumstance.

The council makes decisions on the eligibility of a council member as regards the handling and processing of individual issues. The councillor in question may take part in the vote on his disqualification. A committee shall make the decision on the eligibility of a committee member. The committee member in question may take part in the vote on his disqualification.

A councillor or committee member who is not qualified to address a case may not take part in resolving it or have an effect on it in any other manner and shall always leave the meeting room when it comes up for debate and resolution.

**■ Article 21. Alternates.**

When electing a municipal council by non-proportional vote, alternates take their seats on the council in the order in which they were elected.

When electing a municipal council by proportional list vote or when a list has been automatically elected, alternates on the list take their seats on the council in the order in which they were elected.

If an electoral list has been submitted by two or more political parties or groups, the primary members of the list may agree that the alternatives on the list who are from the same political party or group as the primary member shall replace the primary member, in the order elected, regardless of their place in the order of alternates. Should no alternate on such a list be from the same party or group as the councillor in question at the time of the election, the list's alternates shall take seats according to normal procedure. In this respect, account must always be taken of the position of the person in question when the municipal elections took place.

A declaration of agreement pursuant to the third paragraph shall be submitted on the first or second meeting of the council held after the municipal elections and shall remain in effect to the end of the term of office.

**Chapter IV. Rights and obligations of municipal councillors.**

**■ Article 22. Attendance obligation.**

Municipal councillors are duty bound to participate in all council meetings and the meetings of committees and groups to which they have been elected unless prevented by lawful cause, cf. Article 31.

**■ Article 23. Duty to accept election.**

Council members and alternate members are duty bound to accept election to a municipal committee, group or board answerable to the municipality, as well as other positions of trust allocated by the municipality.

A person who has served as council leader for one electoral term or longer or who has served in a specified office within the council for an equivalent period may decline to be elected to this office for a period equal to the period he has served in the office. Requests for exemption shall be submitted before elections to the position in question take place.

**■ Article 24. Other general obligations of municipal councillors.**

Each municipal councillor has a duty to perform the tasks assigned to him by the council and which relate to the functions of the council.

Councillors are under obligation to carry out their duties diligently and conscientiously. Councillors are under obligation to guard the general interests of residents and those of the general public at all times.

■ **Article 25.** *Independence at work.*

Councillors are independent in their activities. They are only bound by law and their own convictions as regards opinions on individual issues.

■ **Article 26.** *Freedom of speech, right to submit proposals and voting rights.*

Councillors shall have the right to speak at the meetings of the council, as further provided for in rules of procedure. They have the right to submit proposals and have voting rights in the meetings of the council.

Those who are entitled to participate in council debates are entitled to have recorded in the minutes their brief comments on their position on the matter under discussion.

Should a municipal councillor not wish to accept a ruling by the council leader regarding rules of procedure, the ruling may be appealed to the council, which shall rule without prior debate.

■ **Article 27.** *Right to raise issues.*

Councillors are entitled to add to the agenda of a council meeting any issues that specifically relate to the interests of the municipality or its tasks.

Issues not specified in the issued agenda of a council meeting, however, will not be opened for debate during the meeting in question without the approval of 4/3 of the attendees of the meeting.

■ **Article 28.** *Access to information and obligation of confidentiality.*

As a result of their work in the council, each councillor is entitled to examine the data and information available in the municipality's administrative branch and which relate to issues that may be taken up for debate within the council.

Councillors shall have normal access to the offices and agencies of the municipality for the purpose of familiarising themselves with the activities of the municipality and its operation.

The council shall, in the ordinances relating to the government of the municipality, further provide for the entitlement of councillors to obtain copies of data pursuant to the first paragraph and on the arrangement and execution of access to the offices and agencies of the municipality according to the second paragraph.

Councillors are subject to a duty of confidentiality regarding matters of which they become aware through their work and which by their nature or by law should remain confidential. The obligation of professional secrecy remains in effect after cessation of employment.

■ **Article 29.** *Code of conduct and good work practices.*

The council is to establish a code of conduct for itself which shall be sent to the Ministry for confirmation. In the event that a code of conduct is in effect, new councils shall assess whether there is need for their revision. If the conclusion is that the code of conduct does not need revising, the code retains its effectiveness. The Ministry must be informed of such conclusion.

The code of conduct of the council shall be published on the website of the municipality or in another comparable manner.

All elected representatives in the council and committees and groups appointed by the council are under obligation to organise their activities in accordance with the established code of conduct.

The Association of Local Authorities in Iceland appoints a committee that can provide an opinion on the code of conduct and on alleged violations of such rules. The Ministry can

submit the council's code of conduct proposals to the committee before approving such code.

**■Article 30. *Release from office.***

In the event that a council representative ceases to be eligible for office, he shall step down from the council.

Should a councillor feel that he cannot perform his duties for the council without undue strain, such as due to illness or other work, the council may reduce his duties or release him from office for a specified period, at his request, for a predetermined length of time or until the end of the electoral term.

When a councillor temporarily moves out of the municipality, the council may decide, at his request, that he shall step down from the council until he returns to the municipality. Such decision must be made before the councillor temporarily moves out of the municipality. If no decision is made according to this paragraph, the councillor forfeits his eligibility according to conventional rules.

Should a councillor lose legal competency to manage his financial affairs, the council shall release him from office for the duration of the suspension.

**■Article 31. *Calling alternates to meetings.***

When a primary member is disqualified from the processing of an issue, his alternate shall be called in for its handling and resolution. Once the issue has been resolved, the primary member returns to his seat for the remainder of the meeting. In the event that it is not possible to call in the alternate, a disqualified council member may require that the debate and resolution of the issue be postponed to the next meeting. The postponement, however, will not be effected if 2/3 of the attending council members vote against a postponement or if the postponement would have the effect of contravening the statutory processing time of an issue.

When a primary member cannot attend a meeting or needs to excuse himself from the meeting for health reasons or other unforeseeable reasons, his alternate shall take his seat in the council during that meeting. The primary member must send notification of his absence as soon as possible and request that his alternate be called in. Absence according to this paragraph applies at all times to meetings as a whole or to the end of a meeting if such is the case.

When it is clear that a primary member of the council will excuse himself from the council due to events described in the second paragraph for at least one month, his alternate shall take a seat on the council as of the next meeting, provided that the reasons for being absent are still present. Once the period of absence ends, the primary member shall return to his seat as of the next meeting.

When a primary member dies, loses his eligibility or is granted release from office as council member, his alternate shall take a seat on the council as of the next meeting.

**■Article 32. *Right to remuneration, etc.***

A council must decide an appropriate stipend to councillors for their work. If a councillor must travel a long distance from his home to the meeting place of the council, the council may, moreover, determine the reasonable payment for travel and accommodation expenses if appropriate.

In the event that a councillor undertakes travel on behalf of the municipality, in accord with the council's decision, he is entitled to payment of appropriate travel and accommodation expenses.

The council may establish more detailed provisions on the rights of councillors according to this Article, such as with regard to pension funds, parental leave and severance pay.

A councillor may not waive payments allocated to him in accordance with the Article.

**■Article 33. *Right to participate in local government activities.***

Employers may not terminate the employment of an employee due to the fact that he has run for office as a candidate for municipal government or been elected to the council.

If the employment of an employee who has stood for election as a candidate for municipal government is terminated, his employer must provide evidence that the reason for the termination cannot be traced to such event.

A councillor is entitled to be absent from work to the extent that he requires to undertake mandatory attendances to the meetings of the council, the municipality's committees and other meetings that he has been elected to attend on behalf of the council. In the event that the presence of the employee is necessary due to specific and reasoned events, the employee may, however, deny the employee's request for absence.

**■Article 34. *The rights and obligations of alternates.***

The provisions of this section, pertaining to the rights and obligations of councillors, shall also apply to alternates who take seats on councils.

**Chapter V. Committees and boards.**

**■Article 35. *Municipal executive board.***

A council may decide in the ordinance on the government of the municipality that a municipal executive board shall be elected. Municipal councils consisting of five primary members, however, are not permitted to elect a municipal executive board.

Municipal executive boards are considered to be one of the permanent committees of the council, cf. Article 37. The provisions of this Chapter, including the assignment of powers for the final resolution of an issue, apply to municipal executive boards to the extent not otherwise specifically provided for.

The executive board shall, together with the Managing Director, have executive and fiscal authority in the municipality, insofar as these are not allocated to other parties. Municipal executive boards are responsible for monitoring the administration of the municipality and its financial management, preparing draft budgets and annexes thereto and submitting these to the council. In addition, the municipal executive board is responsible for ensuring that the financial statements of the municipality are prepared in accordance with rules and that they are submitted to the council for debate and resolution.

Determining, in the ordinance on the government of the municipality, that the municipal executive board is to undertake to a greater or lesser extent the duties of other permanent council committees is permitted. In addition, authorisation is granted to decide by means of an ordinance on the government of the municipality that the resolutions, proposals and minutes of other committees may be submitted to the municipal executive board for discussion before they are submitted to the council for presentation or final resolution.

The executive board has final authority on issues not crucial to the financial status of the municipal treasury or of its agencies, provided that there is no disagreement within the executive board or with the municipal administrator regarding the decision in question. During the municipal council's summer holiday, however, the executive board has the authority otherwise held by the municipal council. In addition, the municipal executive board may be appointed to undertake the final resolution of individual issues which, according to the council's ordinances, have previously been discussed by other committees appointed by the council.

**■Article 36. *Election of a municipal executive board.***

An executive board shall be elected for a term of one year, unless otherwise decided by the

ordinance on the government of the municipality.

The number of primary members on the executive board shall be an odd number. Primary members of the executive board may not be greater in number than half the number of the primary members in the council and not more than nine. An equal number of primary and alternate members shall be elected.

Primary members on the executive board shall be from among the primary members of the council. Alternates must also be selected from the group of primary members of the council. A council may decide, however, that the members and alternates who have been elected from the same list of candidates as the person elected to the executive board shall be his alternates in the same order as on the list of candidates.

The council shall elect the Chairman and Vice-chairman of the executive board from among elected executive board members.

**■Article 37.** *Municipal council permanent committees.*

The council shall elect representatives on committees as provided by law and the ordinance on the government of the municipality. Such committees are considered the council's permanent committees.

The electoral term of permanent committees is the same as that of the council, unless otherwise provided by law or the ordinance on the government of the municipality. On the completion of municipal elections, however, permanent committees retain their mandates until the council has elected a new committee to replace them, with the same limits on power authorisations as applied to the earlier council on the completion of elections, cf. Article 12.

A council may combine committees, so that one committee handles tasks in more than one field, notwithstanding provisions in law stipulating that a separate committee shall be elected to handle specific tasks.

In municipalities where finding sufficient members for committees is difficult, the council may itself perform the duties of a statutory committee, unless the tasks of the committee are incompatible with the work of the council in the view of the Ministry.

**■Article 38.** *Committee for a proportion of the municipality.*

A council may elect a committee to deal with specific matters or categories of issues in a part of the municipality in question.

If the election of such a committee is provided for by law or the ordinance on the government of the municipality, such committee is considered a permanent committee.

The ordinance on the government of the municipality may stipulate that a committee pursuant to this Article must be elected by the residents of the part of the municipality in question who have voting rights according to laws on elections to municipal authorities. In such case, the only persons eligible for election to the committee are those who live in that part of the municipal area.

Decisions according to the third paragraph are subject to the approval of the Ministry and are dependent, among other things, on the possibility of printing out a voter database for the part of the municipality involved, cf. Article 4 of the Local Government Elections Act. The provisions of the same Act apply as regards elections pursuant to this Article in other respects.

The provisions of Articles 44, 45 and 49 do not apply to the appointment of a committee elected according to the third paragraph. In other respects, the provisions of this Act apply to the work of such committee, the eligibility, rights and obligations of committee members and other aspects as appropriate.

**■Article 39.** *Committee to address individual tasks or issues.*

The council can elect committees to debate and prepare individual cases, issues or projects.

The authority of such committees may be revoked by the council at any time and expires automatically at the end of the electoral term of the council.

According to this Article, individuals who have not reached the age to be entitled to vote in municipal elections and individuals who are not domiciled therein may be elected.

**■Article 40.** *Scope of authority of committees.*

A council shall determine the competences of committees and boards it elects, unless this is provided for by law.

If a committee has not been assigned the final resolution of an issue by law or by the ordinance on the government of the municipality, its resolutions shall have the status of proposals to the council, although they may be termed as decisions or resolutions of the committee.

**■Article 41.** *Approval of minutes.*

Minutes of committees and boards shall be submitted to the executive board and/or council, according to the procedure of final approval in the relevant field. If the minutes of committees contain resolutions or proposals that require the approval of the executive board or council, the said resolutions and proposals are to be debated specifically and formally resolved. For the minutes of committees, however, which do not contain such resolutions or proposals, it is sufficient that they are submitted for informational purposes.

A committee resolution which involves expenditure shall be submitted to the council or the executive board, according to the procedure prescribed in the ordinance on the government of the municipality.

As applicable, this provision also applies to the council's processing of the minutes of the executive board.

**■Article 42.** *Council assignment of authority for final approval of issues.*

In order to promote efficiency, effectiveness and more rapid processing, a council may decide, in the ordinance on the government of the municipality, to allocate to a permanent committee final authority in matters not crucial to the finances of the municipality, unless law or the nature of the issue militate these especially. If a permanent committee is allocated authorisations according to this paragraph, the number of committee members shall be an odd number.

In the same manner, and on the same conditions, a council may bestow final decision-making authority to individual employees within the municipality. The municipal council, executive council or permanent committee involved shall monitor the processing of issues under this paragraph and shall request regular reports on decisions made on the basis thereto. This paragraph does not, however, have an impact on the authorisations of the employees of the municipality to make decisions that relate to the daily operation and services of the municipality and which are considered to be derived from their position.

An employee who has been assigned the power of final authority according to the second paragraph, or one-third of the permanent committee in question according to the first paragraph, may request at any time that the council, executive board or permanent committee as provided in the municipality's ordinance on government make a decision on an issue.

When a council uses its authority according to the first or second paragraph, it must also state in the municipality's ordinance on the government of the municipality who is to make the final decision in a case according to the third paragraph and the manner in which issues that have been dealt with under these provisions may be reopened.

**■Article 43.** *Elections and eligibility.*

Elections to the permanent committee of the council, committees for parts of the

municipality, committees to address individual tasks or fields, the municipal executive board and other committees and boards of which the municipality is a member shall be by secret ballot and by restricted proportional representation if so requested.

Only those who are eligible to vote in the municipality are eligible for office on municipal committees and boards unless otherwise provided by law, cf. the second paragraph of Article 39.

Employees of municipal companies and agencies are ineligible to serve on committees and boards of those companies and agencies where they are employed. A municipal council may, however, decide to make an exception to the terms of this provision if matters concerning the employer play a very minor role in the work of the relevant committee and if the position held is not of such a nature that there would be a risk of conflict of interest if serving on the committee.

**■ Article 44.** *Submission of lists for proportional vote.*

In restricted proportional elections to committees, the submission of lists shall be as follows:

1. Submission of a list of proposed candidates for the committee in question. Each council member may only be responsible for one proposed list for each committee. A list may contain up to twice the number of representatives to be elected to the committee. The name of the council member may only be included in the proposal list that he himself is responsible for submitting.

2. If two or three representatives are to be selected to a committee, at least one of each gender must be on the list. If four or five representatives are to be selected, at least two of each gender must be on the list. If six or seven representatives are to be selected to a committee, at least three of each gender must be on the list. If nine representatives are to be selected, at least four of each gender must be on the list. If a greater number are to be selected to a committee, at least 40% of each gender must be on the list. If eligibility to a committee is restricted to council members or their alternates, however, this rule does not apply. The same applies if eligibility to a committee is restricted in such a manner that it is not possible to fulfil requirements according to this item.

3. Proposals for lists are to be submitted in writing and signed by at least one of the council members responsible for that list. In the event of proposing a representative who is not under obligation to accept election to a committee, the representative's agreement for the nomination must be secured.

**■ Article 45.** *List elections.*

Choosing between lists shall be as follows:

1. Committee seats are allocated to the list in question in proportion to the number of votes each list receives on the basis of the following rule: The number of votes cast for each list of candidates is divided by the numbers 1, 2, 3, 4, etc. The conclusive figures are recorded for each list.

2. Once final results have been calculated for each list, a decision must be made as to which representatives have been elected to the committee. This is done as follows: The first representative is allocated to the list which now has the highest conclusive figure. This conclusive figure is then cancelled. The second representative is allocated to the list which now has the largest conclusive figure. This process is continued until as many representatives as were up for election have been allocated.

3. If there are too few names on the list when making allocations, such list must be passed over during further allocations. If two or more conclusive figures are equal, the issue shall be decided by lot.

4. If it is revealed, once this process has been completed, that either gender does not have as many representatives from each list as required by item 2 of Article 44, individuals of the gender lacking representation shall be moved as far up the list as necessary to achieve the required gender proportion.

If proportional voting is not used for appointing committees, cf. the first paragraph of Article 43, the council shall ensure that the requirements for gender proportions are met in accordance with item 2 of Article 44 when appointing the members of such committee.

**■ Article 46. *Committee meetings and decision-making competence.***

Committee meetings shall normally be held in camera. A committee may open a meeting to the public in the event of a request thereto, provided that laws or the nature of the issue do not prevent this. The council shall establish rules of procedure for requests to open the meetings of the committee to the public, stating the conditions for the opening. The provisions of Chapter III apply to the meetings of committees, decision-making competence and voting as applicable.

**■ Article 47. *Alternates.***

Alternates assume a seat in committees in the order in which they are elected.

When electing a committee according to restricted list elections or when a list has been elected without contest, and a primary member of the committee is unable to attend, alternates from the list from which the primary member is elected shall take a seat on the committee in the order in which they are on the list once the list has been reshuffled in accordance with item 4 of the first paragraph of Article 45.

If two or more political parties or candidate lists for council membership jointly submit proposals for a list in a proportional election to a council committee, they may agree that the alternates on the list for committee elections, there as the representatives of the same party or candidate list as the primary member of the committee in question, take his seat on the committee in the order that they are elected, regardless of their place in the order of alternates. In the event that none of the alternates on the list in question is in the same political party or belongs to the same candidate list to which the primary member belonged when elections to the committee took place, alternates from the list will take the seat in accordance with conventional rules.

A declaration of agreement pursuant to the third paragraph shall be submitted during the first meeting of the council held after the committee elections and shall remain in effect to the end of the term of office or until a new committee is elected.

**■ Article 48. *Calling alternates to meetings.***

The provisions of Article 31 shall apply as appropriate to the calling of alternates to meetings.

When a primary member dies, loses eligibility, is released from committee work or is permanently unable to remain in a committee, his alternate shall take his seat on the committee unless the council decides to vote again for a new primary member. Otherwise the municipal council shall appoint a new alternate to serve on the committee.

The provisions of this Chapter on alternates shall also apply as appropriate to alternate observers.

**■ Article 49. *Release from committees and new appointments.***

Representatives on municipal committees and boards who are not primary or alternate councillors may resign their seat on a committee at any time during the electoral term. Other representatives may ask the municipal council to release them temporarily or for the remainder of the electoral term, in which case the council shall assess whether conditions for

such are present.

A municipal council may at any time during the electoral term decide to replace representatives on committees or boards it elects or appoints if there is no disagreement within the council or if substantial reasons justify such a change, for instance if a committee member, without valid reason, fails to attend committee meetings or violates confidentiality obligations. A councillor may also request that a committee be appointed anew, if he sees reason to do so. A council may, however, refuse such a request if it is clearly unfounded, provided that 2/3 of meeting attendees vote in favour of the proposal for rejection. When a change is made, such as is described above, to the appointment of representatives to municipal committees and boards, all the representatives shall be elected anew, in which case the election shall be subject to the provisions of the first paragraph of Article 43, unless there is no disagreement within the council regarding the changes.

Changes to committee composition according to this Article shall fulfil the conditions of item 2 of Article 44 and item 4 of the first paragraph of Article 45 on gender proportions.

**■ Article 50. *Observers.***

In the event that the council was elected by means of a restricted proportional vote and one of the candidates who has a representative on the council is not voted to the municipal executive board, the representatives of this party may appoint an observer to participate in the meetings of the committee. The same applies to permanent committees that have been entrusted with final decision-making authority in issues. A council may, moreover, decide in the ordinance on the government of the municipality that the same rule shall apply to permanent committees.

Rights according to sentences 2 and 3 of the first paragraph do not apply to child protection committees. Observers present in committee meetings are subject to the same obligations of confidentiality as apply to other members of the committee.

The observer and alternate observer according to the first paragraph shall fulfil the eligibility conditions of the committee in question.

**■ Article 51. *Stipend.***

A council must decide on an appropriate stipend for the work of elected representatives on the municipality's committees and boards in accordance with the council's assessment and with rules laid down by the council. In the same manner, a council may decide to pay a stipend for the work of those who have observer status on municipal committees and boards.

**■ Article 52. *Other rights and obligations.***

Committee members are duty bound to attend the meetings of the committee.

In other respects, the provisions of Chapters III and IV apply to representatives on municipal committees and boards, as applicable. Rights, however, are limited according to the nature of the issue to what the representatives need for their work in the committee in question.

**■ Article 53. *Other committees and boards in which the municipality is a member.***

A council shall elect representatives on committees and boards to which the municipality is party under the relevant ordinance or law. The provisions of this Chapter shall apply to such representatives as applicable.

To the extent that a committee or board of a legal entity to which the council elects a representative according to the first paragraph is responsible for the execution of or responsibility for a project that the municipality itself would not be permitted to carry out, the representative of the municipality on the committee or board in question is not bound by the instructions of the council as regards such work. The same applies to the extent provided by

laws that apply to the operation and activities of the legal entity in question.

## **Chapter VI. Municipal administrator and other employees of the municipality.**

### **■Article 54.** *Appointment of a municipal administrator.*

The council shall employ a municipal administrator to implement the decisions of the council and the tasks incumbent upon municipalities. Two or more municipalities may appoint a shared municipal administrator.

The council shall prepare a written contract of employment with the municipal administrator, stating his terms of employment. A municipal administrator shall normally be appointed for the same period as the electoral term of the council. The parties may negotiate a mutual period of termination within the term of employment.

### **■Article 55.** *Role of the municipal administrator.*

The municipal administrator is the highest authority over other municipal employees. He shall be responsible for ensuring that the administration of the municipality is in accordance with law, ordinances and the appropriate instructions of superiors.

The municipal administrator shall attend the meetings of the council. He has the right to speak and to propose motions but not the right to vote unless he is an elected member of the council. He is also entitled to attend meetings of municipal committees.

The municipal administrator shall ensure that the meetings of the council, municipal executive board and other council committees are properly prepared, e.g. ensuring that the issues resolved therein are fully explained. He is also responsible for ensuring that the decisions made by the council and other committees are executed, provided that the council has not appointed another entity to do so.

The municipal administrator shall have powers of procuration on behalf of the municipality. He may grant the powers of procuration to another council employee with the consent of the council. Those who have powers of procuration must be legally competent to manage their financial affairs.

The municipal administrator shall sign documents regarding purchase and sale of municipal real estate, loans and guarantees and other documents which entail obligations or measures which require the consent of the council.

The ordinance on the government of the municipality shall contain further provisions regarding the municipal administrator's area of responsibility and the distinction between this and the authority of the council and executive board.

### **■Article 56.** *Appointment of other employees.*

The council shall appoint staff to major management posts for the municipality and shall be responsible for their release from employment. Employment of other staff shall be in the hands of the municipal administrator, provided that the council has not decided otherwise in the ordinance on the government of the municipality or by means of general instructions.

### **■Article 57.** *Terms of employment, rights and obligations.*

Municipal employees' salaries, rights and obligations shall be subject to collective wage agreements in force at any time and the terms of the contract of employment.

Municipal employees and other entities recruited by municipalities to carry out specific tasks are bound by an obligation of confidentiality on matters of which they become aware in their work, which should remain confidential by law, by instruction from a superior or by their nature. The obligation of professional secrecy remains in effect after cessation of employment.

## **Chapter VII. Municipal finances.**

### **■Article 58.** *Budgetary authority of the council.*

Only the council may make decisions on matters that significantly relate to the finances of the municipality. Such matters include decisions on the following, provided that no direct exceptions have been made thereto by law:

1. confirmation of the annual financial statements;
2. budget for the following year;
3. budget for the next four years;
4. annexes to the budget according to items 2 and 3;
5. loans, guarantees or other financial obligations of the municipality;
6. sale of municipal assets and other rights;
7. levying of taxes and charges;
8. engagement or dismissal of auditor.

The ordinance on the government of the municipality grants authority to appoint the executive board to make final decisions on the issues specified in items 5 and 6 in the first paragraph, provided that no significant financial interests are involved and the decision falls within the scope of the one-year budget and the four-year budget, if applicable.

### **■Article 59.** *Accounting year and obligation to keep accounts.*

The financial year of municipalities is the calendar year. Municipalities, their institutions and companies are under obligation to keep accounts and fulfil the provisions of the Accounting Act, the Annual Accounts Act, as well as other generally accepted accounting practices on accounts and the accounting principles of municipalities. The accounts of the municipality shall be organised in a clear and accessible manner and shall provide a clear picture of its operations, assets and liabilities.

### **■Article 60.** *Classification in the accounts and financial statements.*

In municipal financial statements their operation shall be divided as follows:

1. Section A, which within the meaning of this Act shall mean the principal fund of the municipality, in addition to other funds and agencies whose activities are entirely or partially financed by tax revenue.

2. Section B, which covers municipal agencies, companies and other agencies in which the municipality owns 50% or more and which are operated as autonomous financial units.

Municipalities may, to the extent provided for in the legal rules applicable, allocate for themselves the normal returns of the funds bound in the operation of their administrative units and companies.

### **■Article 61.** *Annual financial statements.*

Annual financial statements are to be prepared for the municipal treasury, for municipal agencies and their companies. Consolidated annual accounts shall also be prepared for the municipality, i.e. for the municipal treasury and municipal agencies and companies with separate accounting, cf. Article 60. The annual financial statements shall be prepared in accordance with the Annual Accounts Act, rules established according to said Act and this Act, as well as generally accepted accounting principles.

The annual financial statements shall contain a comparison with:

- a. the annual financial statements of the preceding year,
- b. the initial budget for the year,
- c. the year's budget together with annexes.

The annual financial statements of the municipality shall be completed and approved by the executive board, or the executive administrator of the municipality in the event that there is no

executive board, and must be ready for auditing and processing by the council before 15 April of each year.

The council shall have completed its approval of the annual accounts of the municipality, its agencies and companies not later than 15 May of each year.

**■Article 62. Budgets.**

Each year, the council shall prepare a budget for the coming year and for the next three years thereafter. Together, these projections form a four-year budget for the municipality involving the overall plans for the municipality's finances during the period, both Section A and Section B in accordance with Article 60. The budget for the coming year shall contain binding decisions on all the financial allocations of the municipality for the year to which it applies, cf. further instructions contained in Article 63.

Budgets shall provide a clear picture of the operation of the municipality, its financial position and changes to cash and cash equivalents. It must also contain a detailed summary of revenue procurements, disposal of funds and the appropriations of the municipality. In the making of a budget, account shall be taken of the financial position of the municipal treasury and municipal agencies at the beginning of the budget period.

The municipal executive board or the executive administrator, as provided for in the ordinance on the government of the municipality, shall submit a budget proposal according to the first paragraph to the council no later than 1 November each year. The council shall debate the proposals during two meetings that are to take place at an interval of at least two weeks. On completion of council discussions, the proposals shall be finalised but not, however, later than 15 December. The Minister can, at the request of the council, grant more time for the processing of the budget if urgently necessary.

Proposals according to the third paragraph shall be accompanied by information on the criteria on which they are based. Attached to the proposals shall be descriptions of the main projects and obligations assumed.

**■Article 63. Binding effects of the decision on the year's budget.**

The decision taken by the council in accordance with the first paragraph of Article 62 on the budget for the next year is a binding rule for all financial arrangements made by the municipality. Others cannot, however, base an independent right to funding or other assistance from the municipality on the budget.

Departing from the budget according to the first paragraph is not permitted unless the council has previously approved an annex to the budget. This applies to any form of decisions, agreements or other financial arrangements that involve changes to income, expenses, commitments or transfers between budgetary items in an already approved budget. Annexes are not valid unless they also contain a detailed determination of the manner in which such assumed expenses or decrease in income will be met. This also applies even if total expenditures or total income do not change as a result of its approval.

Notwithstanding the second paragraph, in exceptional circumstances, measures may be employed that are mandatory according to law or other binding legal provisions without the prior council approval of the annex, given that such measures cannot wait. The requisite authorisation of the council shall then be obtained as soon as possible. A petition for such authorisation must be submitted at the next meeting of the council.

A regulation established on the basis of Article 75 permits defining the incidents where transfers within fields are allowed without the prior existence of an approved annex, cf. the first sentence of paragraph 2. Such changes, however, are to be included in an annex at the earliest opportunity.

**■Article 64.** *Frame of reference on the results and financial position of municipalities.*

Councils are under obligation to ensure that operations, investments and the disbursement of assets and funds are at all times arranged so as to ensure that the municipality will be able to cope with its obligatory tasks.

Obligations pursuant to the first paragraph are to be met by the council by ensuring that:

1. the aggregate total expenditure for operations relating to Sections A and B in the financial statements according to Article 60 are, during each three-month period, not greater than that equivalent to the aggregate regular income, and

2. the total debts and commitments relating to Sections A and B in the financial statements according to Article 60 are not higher than 150% of regular income.

The Minister shall further define in a regulation<sup>\*)</sup> the criteria used for reference according to the second paragraph, including that of expenses, income, assets, debts and commitments and municipal adaptations thereto. The regulation, moreover, shall provide exemptions for the further defined debts or commitments of municipalities so that they have no or only proportional effects according to item 2 of the second paragraph.

<sup>\*)Reg. No. 502/2012, cf. 793/2017 and 458/2018.</sup>

**■Article 65.** *Responsible allocation of funds.*

The council shall maintain responsibility in the handling of the municipality's assets and preserve its assets responsibly, such as in the deposit accounts of financial undertakings or by purchasing government bonds. Municipalities may not invest for profit unless the investment relates to tasks with which they have been entrusted by law or are authorised to undertake. Municipalities may, however, participate in projects in light of pressing social interests provided that the risk of participation does not violate the requirement of the responsible use of funds.

**■Article 66.** *Major investments and commitments.*

Before a council decides on an investment, project or other commitment amounting to more than 20% of the tax income of the municipality during the accounting year in question, a special assessment of its effects on the municipality is mandatory. This includes construction, investment in assets, service agreements, sale and leaseback transactions, financing agreements, operating lease contracts and similar transactions. This also includes decisions on the granting of guarantees according to Article 69 and the decisions made by companies and agencies within the municipality that lead to the guarantee obligations of the municipality increasing by the equivalent of more than 20% of the tax income for the year in question.

An assessment shall describe the cost estimate and its underlying criteria, the long-term effects on the finances of the municipality and the effects of operating expenses if any. In cases where the investment, construction or commitment is divided between more than one period or units, the decision shall be examined as a whole. The assessment must be performed by an expert entity who is not connected with the municipality.

**■Article 67.** *Control of property and other assets.*

Municipalities shall ensure for themselves the appropriate right of use of properties and installations, such as utilities, that are necessary for the execution of the statutory duties of the municipality.

**■Article 68.** *Pledging authorisations.*

Municipalities may not pledge their income to others, nor may they pledge properties or other assets belonging to them and which are necessary to fulfil the statutory duties of the municipality, cf. Article 67. Other assets may be pledged to secure loans taken by the municipality to serve as security for its liabilities.

Notwithstanding the provisions of the first paragraph, a municipality may put up its revenues as security for loans it receives from the Local Authorities Loan Fund ohf. and for guarantees it grants thereto according to the first and second paragraphs of Article 69. The Minister shall issue further provisions on securities for the Loan Fund in accordance with this paragraph in the form of a regulation<sup>9)</sup>.

<sup>9)</sup>Reg. No. 835/2012.

**■ Article 69. Authorisation to undertake guarantees.**

A municipality may grant a simple guarantee to secure the loans of agencies and companies wholly owned by the municipality, provided that they are responsible for carrying out tasks considered the statutory tasks of municipalities.

A municipality may also grant simple guarantees to secure the loans of agencies and companies that it owns and operates in co-operation with other municipalities or other public bodies. The liability of the owners shall be divided in proportion to their shareholding. The guarantee is conditional upon the relevant company being wholly owned by public bodies, upon the guarantee being bound to borrowings for a mandatory municipal task and upon all the owners providing a guarantee for the loan in proportion to their holdings. The guarantee is rendered void if the company is transferred to some degree into private ownership.

Municipalities may not undertake guarantees for commitments other than those specified in the first and second paragraphs. The holder of the municipal treasury's power of procurement may, on behalf of the municipality, guarantee by an endorsement, the payment of business papers which the municipality has acquired in a normal manner in connection with its daily operations.

**■ Article 70. Netting.**

Claims against a municipality may not be offset against mandatory payments due to the municipality or its agencies.

A financial undertaking may not use the funds deposited by a municipality for safekeeping according to Article 65 to offset claims that the undertaking may have against the municipality.

**■ Article 71. Bankruptcy proceedings and enforcement.**

Municipalities cannot be subjected to bankruptcy proceedings. Enforcement procedures cannot be initiated against the assets of a municipality necessary for the execution of statutory tasks.

**■ Article 72. Auditing.**

The municipal council shall engage a certified auditor or auditing firm to audit the municipal accounts. Auditing is subject to the Act on Auditors, the Act on Annual Financial Statements and international auditing standards, as well as the instructions contained within this Act.

The auditor shall audit the municipality's annual financial statements according to Article 61 in accordance with the first paragraph and, to this end, shall examine the municipality's accounting records and other items that relate to the municipality's operation and position. The auditor shall state his opinion in his endorsement of the Annual Financial Accounts.

The auditor of a municipality shall, moreover, examine whether there were sufficient authorisations for expenditures and whether the general administration of the municipality and individual decisions made by it are in accordance with the rules on the finances of municipalities, responsible financial management and municipal disclosure obligations.

The municipal auditor shall submit a written report to the council on important aspects that have come to light during the auditing of the annual accounts and their examination according

to the third paragraph. The report shall specifically, if appropriate, mention any weaknesses in internal controls in the procedures used for the preparation of the accounts.

The municipality shall grant the auditor or auditing firm access to all the information and documentation needed for the audit. Rules on confidentiality do not limit the rights of auditors in this respect.

An auditor responsible for the auditing of a municipality shall take time off from auditing that same municipality for at least two years not later than seven years after having first been employed to carry out the work.

The auditor of a municipality must be independent of the municipality, both in actuality and appearance, cf. the Act on Auditors. The auditor is not permitted to take part in any of the decisions of the municipal authorities or its executive management which may lead to his neutrality in the performance of auditing work being put at risk.

**■Article 73. Auditor opinions and their treatment.**

In the event that the auditor discovers that the accounts and finances of a municipality are not in accordance with laws and regulations, he shall immediately, including within the year if appropriate, inform the council and the monitoring committee for the finances of municipalities of such discovery by means of a written report. Confidentiality obligations according to the Act or other acts of law does not negate this obligation.

In the event that the council receives a written opinion from the auditor to the effect that the accounting or finances of the municipality are not in accordance with requirements, the leader of the council shall ensure that the opinion has been delivered to all the primary members of the council not later than seven days after its submission.

The auditor of the municipality may specifically require that his opinion be debated during a council meeting. In addition, such opinion must be debated in the meeting of the council if a member of the council so requests.

**■Article 74. Accounting and information committee.**

The Minister shall appoint a five-member municipal accounting and information committee for a term of five years at a time. Committee members shall have solid knowledge of municipal accounting practices. Two shall be appointed by the Association of Local Authorities, one according to the recommendation of Statistics Iceland (Hagstofa Íslands) and two without nomination. One of them shall be an accredited auditor. Five alternates shall be appointed in the same manner. The Minister shall appoint the chair of the committee.

The committee shall, in its work, encourage the co-ordination of municipal accounting practices and other financial measures. In addition, the committee shall undertake other tasks in this field entrusted to it by the Minister.

**■Article 75. Rules on accounting practices and financial statements.**

On having received the recommendations of the accounting and information committee, the Minister shall establish a regulation<sup>9)</sup> on:

1. municipal accounting practices, including as regards a co-ordinated information ledger;
2. processing, treatment, form and content of financial plans;
3. processing, treatment, form and content of annual financial statements and the treatment of auditor reports thereto.

The accounting and information committee can, as warranted, issue more detailed instructions and opinions on the accounts, financial planning and financial statements of municipalities.

<sup>9)</sup>Reg. No. 1212/2015, cf. 792/2017.

**■Article 76. Submission of information on finances.**

- Financial plans are to be sent to the Ministry within 15 days from their finalisation. The same applies to annexes to such plans.
- The annual financial statements of a municipality, together with the auditor's report, shall be sent to the Ministry and Statistics Iceland no later than 20 May of each year. The opinion of the auditor according to Article 73 shall be sent by him to the Ministry as soon as it is delivered to the municipality.
- On having received the proposals of the accounting and information committee, the Minister shall establish a regulation on the quarterly submission of the municipalities of information from their accounts and financial statements for the Ministry's use, other public bodies and the Association of Local Authorities in Iceland. The regulation shall provide for the presentation and form of such information, together with information on their electronic submission as appropriate. Statistics Iceland shall be consulted as regards the establishment of the regulation.

### **Chapter VIII. Monitoring municipal finances.**

#### **■ Article 77. Council duties.**

- Councils are responsible for municipal finances. They are under obligation to ensure that the provisions of this Act are complied with.
- Should a municipality find itself in financial difficulties, such that the council believes that it cannot meet its obligations, the council shall notify the municipal finances monitoring committee. In the same manner, the municipal finances monitoring committee must be notified by the council in the event that it believes that the finances of a municipality or individual financial measures are not in accordance with this Act or are in other respects at risk of difficulties. If the conditions of Article 86 are present, the notification shall contain a request for the appointment of a financial management board.

#### **■ Article 78. Municipal finances monitoring committee.**

- The Minister shall appoint a three-member municipal finances monitoring committee for a term of five years at a time. Committee members shall have solid knowledge of municipal financial issues. One member of the committee shall be appointed by nomination from the Association of Local Authorities, and two without prior nomination, one of whom shall be a chartered accountant. Three alternates shall be appointed in the same manner. The Minister shall appoint the chair of the committee.
- The cost of the activities of the monitoring committee, including remuneration to its members, shall be paid by the Treasury. The remuneration shall be determined by the Minister.
- The committee is an independent administrative unit under the supreme authority of the Minister. Its decisions, however, cannot be appealed to the Minister.

#### **■ Article 79. Role of the monitoring committee.**

- The municipal finances monitoring committee shall monitor finances, including the preparation of financial statements and municipal budgets, and compare these with reference criteria according to this Act and regulations established thereto. The committee shall have general supervision of ensuring that the finances and financial management of municipalities is in accordance with Acts and regulations.
- The committee's monitoring and decisions shall be based on the overall assessment of the financial position of the municipality in question. The committee is under obligation, in individual cases, to select the measures that are the most likely to achieve the desired goals, having taken into account municipal self-government.

**■Article 80.** *Municipal finances monitoring committee access to information.*

The municipal finances monitoring committee shall have access to all the information on the financial issues of municipalities that is submitted to the Ministry.

Municipalities shall provide the municipal finances monitoring committee and its employees with access to the operating units of the municipality, its accounts, attachments and other data pertaining to the municipality that the committee requires for its work as well as explanations of such items within the deadline set by the committee.

**■Article 81.** *Rules on the work of the monitoring committee and frame of reference on municipal finances.*

The Minister establishes a regulation<sup>1)</sup> on the work of the monitoring committee. The regulation shall provide for the procedures used by the monitoring committee and necessary criteria relating to the financial issues of municipalities, cf. Article 64.

<sup>1)</sup>Reg. No. 502/2012, cf. 793/2017 and 458/2018.

**■Article 82.** *Further information on the measures employed by the monitoring committee.*

For the purpose of fulfilling its role according to this Act, the monitoring committee may:

1. regularly publish general background information on municipal finances,
2. send queries to municipal authorities requesting explanations or data within a specified deadline,
3. send written suggestions or recommendations to municipal authorities relating to the financial status of the municipality or individual financial decisions,
4. have the finances and operations of the municipality examined and then submit proposals to the council regarding improvements, within an appropriate period of time,
5. publish notifications or resolutions on the status or individual financial decisions of the municipality,
6. refer the issue to the Minister, cf. Articles 83–85.

**■Article 83.** *Agreement between local authorities and the Minister as regards finances.*

When necessary due to the finances or financial management of a municipality, the Minister and the local authorities in question, on the basis of a reasoned proposal from the monitoring committee, are to reach an agreement on the financial issues of the municipality. The agreement shall provide for its object and criteria relating to financial aspects as needed, including operations, investments and the charging of dues and taxes.

The Minister may also enter into an agreement pursuant to this Article at the request of the local authorities in question. In such case, the opinion of the monitoring committee must be sought before any agreement is reached.

Once an agreement has been reached, such agreement must be confirmed by both the Ministry and the local authorities. The Ministry may require that 2/3 of those present at a meeting of the local authorities approve the agreement in order for the agreement to enter into effect. The monitoring committee monitoring the finances of municipalities is responsible for monitoring the local authorities' implementation of agreements pursuant to this Article.

**■Article 84.** *Other measures available to the Minister.*

In the event that an agreement pursuant to Article 83 has not returned results, no agreement has been reached or if an agreement is not believed to improve the finances of a municipality, the Minister may, on receipt of the reasoned recommendations of the monitoring committee:

1. provide the municipality with a grant or a loan from the Local Governments' Equalisation Fund to turn the municipality's finances around, provided consultation is had with the Association of Local Authorities in Iceland and the advisory committee according to [Article 15 of the Act on Municipalities' Revenue Bases No. 4/1995](#), as amended, for such

action;

2. authorise or advise the municipal authorities to impose a surcharge on municipal taxes or property taxes amounting to up to 25% in excess of the maximum determined by the Act on Municipalities' Revenue Bases;

3. present the municipality with instructions on operation and administration, as provided for in Article 85.

If necessary, the Minister may, concurrently with an agreement pursuant to Article 83, employ the measures according to items 1 and 2 of the first paragraph.

The employment of measures according to this Chapter does not prevent the Minister from also employing the measures provided for in Chapter XI.

The monitoring committee monitoring the finances of municipalities is responsible for monitoring the implementation of the Minister's decisions pursuant to this article.

The provisions of the second paragraph of Article 79 apply to the decisions of the Minister as applicable.

■ **Article 85.** *Further on the conditions that the Minister may set as regards the management of municipal finances.*

The conditions that the Minister may establish for a municipality on its operation and administration according to item 3 of the first paragraph of Article 84 may provide for:

1. the municipality's submission, on a monthly basis, of information from its accounts, including at least a statement of income, charges, cash and cash equivalents, assets and liabilities;

2. the municipality's preparation and processing of a budget covering up to ten years, including that such budget should be prepared annually and fulfil, as applicable, rules on four-year budget plans;

3. the municipality's seeking of the assistance of a specialised consultant or other expert;

4. budgets, including plans pursuant to item 2 and the activities of the municipality in other respects, being in accordance with particular criteria on:

a. contributions from operations,

b. operational economisation or economisation in a particular aspect of operations,

c. investment restrictions,

d. restrictions in borrowing and other obligations, including the currency in which a loan may be taken, on refinancing and other loan terms,

e. utilisation of income bases, and

f. anything else considered material to the finances of the municipality in question;

5. an assessment pursuant to Article 66 to be carried out by a specific entity or an entity with expert knowledge of reference limits lower than specified in Article 66 and more detailed instruction of what is to be assessed.

■ **Article 86.** *Decision on a financial management board and suspension of fiscal powers.*

In the event that a municipal council has repeatedly and significantly neglected its duties pursuant to this Act, the Minister can, on having received the proposals of the monitoring committee, suspend the council's fiscal powers over the municipality and appoint a financial management board.

The same applies if the payment burden of the municipality exceeds its payment ability to the extent that it is clear that such situation will not resolve itself in the near future.

A decision to suspend fiscal powers and appoint a financial management board shall be published in the Legal Notice Journal (Lögbirtingablaðið).

■ **Article 87.** *Financial management board.*

A municipal financial management board shall consist of three members, one of whom shall be nominated by the Association of Local Authorities. Board members shall have solid knowledge of municipal affairs. The chair shall be appointed by the Minister. He shall fulfil the requirements for appointment to the office of district attorney.

The financial management board shall be appointed for a specified period, not to exceed one year at a time. Remuneration to the members of the board shall be determined by the Minister and shall be paid by the Treasury.

**■ Article 88.** *Legal effects of the appointment of a financial management board.*

In the event that a financial management board has been appointed for a municipality according to Article 86, no payment may be made from municipal funds without the board's consent. Resolutions involving expenditures by the council and others involved in the administration of the municipality are not valid without the consent of the financial management board. In other respects, the council continues to govern municipal affairs.

As a rule, once a financial management board has been appointed, permission may be granted to dispose of municipal funds for:

1. the statutory services provided by the municipality,
2. wage payments that the municipality is under obligation to pay and related payments,
3. actions deemed necessary in order to forestall significant damage.

The financial management board makes decisions according to the second paragraph and for other expenditures that it believes must be effected during the moratorium on debts.

In respects other than mentioned above, the appointment of the financial management board has the same legal effect as a moratorium on debts according to the provisions of Chapter IV on Bankruptcy Proceedings, etc. for up to one year from the date that the financial management board was appointed.

**■ Article 89.** *Role of and remedies available to the financial management board.*

The financial management board shall examine the finances of the municipality, and all its operations, and prepare a plan for municipal revenues and expenditure for the next four fiscal years at least. The plan must be presented so as to ensure that it can also be used as the budget plan for the next fiscal year and as the four-year budget for the municipality. The plan shall be sent to the Ministry for confirmation, along with the comments of the council. After confirmation by the Ministry, this plan is valid as the municipality's financial budget for the next year and as the plan for the next four years.

The financial management board may, with the consent of the Ministry, sell municipal assets in order to pay off debts, but not those assets which are necessary to the municipality performing its mandatory tasks. By the same token, the financial management board can decide to transfer a certain activity which has been carried out by the municipality to a private enterprise or seek collaboration for its execution by another municipality according to the provisions of this Act.

In the event that a financial management board has been appointed for a municipality and it is clear that it is, and will be for the foreseeable future, unable to meet its financial obligations, the financial management board may unilaterally decide to seek composition for the municipality. Unilateral composition shall only be sought if negotiations with creditors have been unsuccessful. Such composition is governed by the general rules of the Act on Bankruptcy, etc. as appropriate, with the exception, however, that the person managing the composition negotiations does not submit the bill for composition for voting.

**■ Article 90.** *Merger with another municipality.*

Should the above-mentioned measures not suffice for the financial recovery of the

municipal treasury and municipal agencies, the Ministry may also decide to seek an agreement with neighbouring municipalities on a merger with the municipality which is subject to a financial management board, or a part thereof.

■ **Article 91.** *Cancellation of suspension of fiscal powers.*

□ Suspension of fiscal powers and the appointment of a financial management board shall cease by decision of the Minister when the finances of the municipality may be deemed to be acceptable. An advertisement thereto shall be published in the same manner as the suspension of fiscal powers was published.

□ For one year after the cancellation of suspension of fiscal powers, the approval of the Ministry is required for any annexes to the budget that the financial management board prepared and was approved by the Ministry. During the same period, the Ministry may also unilaterally decide on annexes to the said budgets if necessary, in light of the financial position of the municipality, for shorter or longer periods. The appropriate consultation for such decision must be had with the council.

## **CHAPTER IX. Collaboration between municipalities and agreements on the operation of tasks.**

■ **Article 92.** *Collaboration between municipalities.*

□ Two or more municipalities may collaborate among themselves as regards the execution of specific tasks, provided that laws or the nature of the issue do not prevent this. If local authorities are not permitted to assign powers for final processing within the municipality, such assignment of power is also not permitted outside the municipality except in the case of special legal authorisation.

□ Collaboration between municipalities shall always be based on an agreement between the municipalities concerned, which does not enter into force until it has obtained the confirmation of the councils in question. In the event of a lack of more detailed provisions in the Act, the collaborative agreement shall at least provide for the form of collaboration, decision making, cancellation of collaboration and financial aspects.

□ Decisions made on the basis of a collaborative agreement between municipalities, even if based on the assignment of powers to make decisions on the rights or obligations of persons, cannot be appealed to the municipalities in question.

■ **Article 93.** *Assignment of powers to make decisions on the rights or obligations of persons.*

□ In the event that a collaborative agreement between municipalities involves the assignment of powers to make decisions on the rights or obligations of persons within the understanding of [the Administrative Procedures Act No. 37/1993](#), this can only be executed by co-owned agencies (byggðasamlag) or in such a manner that one municipality undertakes a task for another municipality or other municipalities unless laws provide special authorisation for other forms of collaboration. Agreements pursuant to this Article shall not take effect until approved by the Ministry.

■ **Article 94.** *Co-owned agencies (byggðasamlög).*

□ Municipalities are permitted to establish co-owned agencies that undertake the execution of specific municipal tasks, such as the operation of schools or fire departments.

□ Co-owned agencies alone have the right and duty to have the phrase “byggðasamlag” in their name and the abbreviation “bs.”

□ Agreements on co-owned agencies shall contain provisions on:

1. the name of the co-owned agency, the shareholding of individual municipalities in the agency, what tasks it is to undertake and its authorisations;

2. board elections, number of board members, term of office and alternates;
3. decision-making competence of meetings and other important information in this respect;
4. board mandate to bind member municipalities;
5. when the confirmation of municipal councils is required for board decisions;
6. authorisations for negotiating with private entities, cf. Article 100;
7. authorisations for agreements with individual member municipalities to the effect that they undertake specific aspects of the operations that have been allocated to co-owned agencies;

8. withdrawal from a co-owned agency, including on the settlement of member municipalities, responsibility for commitments and entitlement to redeem shareholdings.

It must be ensured that the mandate of the board of the co-owned agency to bind member municipalities is in accordance with the rules of this Act on Municipal Finances, including the binding effectiveness of the budget for the following year.

Elections to the board of co-owned agencies can either take place during the Annual General Meeting of the co-owned agency or on the basis of nominations of individual councils of the member municipalities. In the event that the board election is held during the Annual General Meeting of a co-owned agency, the agreement for the co-owned agency shall also contain the appropriate provisions on its Annual General Meeting, including all items listed in items 2–5 of the third paragraph.

In other respects, co-owned agencies are governed by the provisions of this Act as regards the processing of issues, the obligations and rights of board members, staff, finances, budgets and review of annual financial statements and administrative controls and the general rules that in other respects apply to the activities of municipalities and other authorities.

Individual councils and the auditors of member municipalities are entitled to access all data concerning the administration of co-owned agencies.

Municipalities are individually liable for the financial obligations of the co-owned agency to which they are party; the liability of each is in proportion with their respective populations.

**■ Article 95.** *Withdrawal from a co-owned agency and the disbandment of a co-owned agency.*

Agreements on co-owned agencies shall contain provisions on the review of the agreements, on authorisations to withdraw from a co-owned agency and on its disbandment.

Individual municipalities may, with two years' notice, terminate their membership in a co-owned agency, provided that no other time limit has been negotiated. At the same time, the municipality may require the redemption of its net shareholding in the co-owned agency, calculated to present value in accordance with the provisions of the Act according to Article 94.

In the event of a dispute relating to the withdrawal of a municipality from a co-owned agency, the matter may be referred to the Ministry. The Ministry may decide that the municipality in question is not permitted to withdraw from a co-owned agency for a specific period, no longer than five years from the decision of the Ministry however, due to important social interests or due to the important interests of other municipalities involved in the co-owned agency. For the same reasons, the Ministry may decide on the postponement of the redemption of a municipality's shareholding.

A proposal to discontinue the operation of a co-owned agency is only valid if confirmed by 2/3 of shares owned by member municipalities or if it has been approved in a general vote in the operating area of the co-owned agency. 2/3 of board members of a co-owned agency or

2/3 of representatives attending the Annual General Meeting of the co-owned agency, if such meeting is held, can request a vote from the councils of member municipalities for the disbanding of a co-owned agency.

In the case of a decision to disband a co-owned agency, or if this is provided for by law, a board of receivership shall be appointed to settle its assets and liabilities and to terminate its operations. The board of receivership may advertise for outstanding claims against the co-owned agency by a formal calling-in of claims. After such claims have been paid, the balance of the assets or liabilities shall be distributed among the relevant municipalities, in proportion to their populations. The board of receivership shall be elected by the board of the co-owned agency.

■ **Article 96.** *Agreement on municipalities undertaking assignments for other municipalities.*

Municipalities may reach an agreement to the effect that one municipality undertakes assignments for another municipality or other municipalities.

When a municipality undertakes an assignment for other municipalities, the decision may be made that the municipalities that are considered buyers of the service appoint an observer with the right to be heard and submit proposals at meetings of the board in question in the municipality considered the service provider when issues relating to the collaborative project are under discussion.

The council representatives of the municipalities that have appointed another municipality to undertake specific tasks according to this Article have the same right of access to data and information on the task for the municipality that provides the service as they would otherwise have had according to Article 28.

In an agreement on collaboration according to this Article, the following items must be provided for at least:

1. which municipalities are parties to the collaboration,
2. which of them is responsible for the running of the project,
3. detailed description of the task or tasks in question,
4. what authorisations are transferred to the municipality responsible for the task,
5. term of validity of the agreement and at what time the municipality will take over the task,
6. need for confirmation of decisions on the execution of tasks,
7. whether a municipality is authorised to enter into an agreement with private entities for the execution of tasks pursuant to Article 100,
8. information supply to other collaborators,
9. financial settlement and communications relating to tasks,
10. ownership of structures, operating equipment and other valuables, if appropriate, and other important aspects that relate to the execution of the tasks and expenditures relating thereto.

If municipalities that are members of an agreement according to this Article agree, the collaboration may be terminated immediately. Otherwise, any municipality can withdraw from their membership to the agreement with one year's notice if no other notice of termination has been negotiated.

■ **Article 97.** *Regional federations of municipalities.*

Municipalities may establish localised regional federations of municipalities, to work on the shared interests of the residents in each region.

The area covered by regional federations shall be as decided by the affiliated municipalities and confirmed by the Ministry. There may not, however, be more than eight such federations

in the country at any time. Municipalities within the operating area of regional federations are entitled to membership in such federations. The Ministry and public agencies shall always seek the opinion of the regional federations involved as regards policy formulation or decisions relating to that particular region.

Regional federations may, by means of agreements or according to authorisations in special acts, undertake tasks or other activities that relate to their role according to the first paragraph, as well as tasks relating to rural development or other shared municipal interests.

■**Article 98.** *Association of Icelandic Local Authorities.*

The Association of Icelandic Local Authorities speaks on behalf of municipalities in Iceland. All local governments are free to become members of the Icelandic Association of Local Authorities. The Association is responsible for the shared interests of the municipalities as decided by them and as provided for by law. The Association is not considered to be an administrative authority.

The municipal councils of the municipalities that are members of the Association shall elect representatives to the national congress of the Association, according to rules provided in its Articles of Association.

When the Minister establishes general administrative directives on the basis of this Act, he shall always consult with the Icelandic Association of Local Authorities as regards their substance.

■**Article 99.** *Collaboration in the preparation of collective wage agreements.*

Municipalities may collaborate in the preparation and approval of collective wage agreements with their employees and other issues relating to implementation and policy formulation of wage issues.

■**Article 100.** *Agreements on service operations and individual operational tasks.*

Municipalities may enter into agreements with private entities for the implementation of services and other tasks for a municipality, provided that provision has been made for the task in question in the budget of the municipality. Agreements on the implementation of services means agreements on specified service operations for municipalities that they are obliged to undertake or may undertake. Agreements on other tasks for municipalities means agreements on services for the municipality itself, such as its accounts or other aspects that are part of ensuring that a municipality can fulfil its role.

An agreement according to this Article shall include a definition of the content and quality of the service purchased by the municipality, the length of the agreement period, payment by the municipality, inspection of the service and the handling of disputes. The agreement period shall not exceed six years; a longer agreement period is only permitted if the municipality requires the contractor to set up a costly project or equipment because of the task or service. The notice period for terminating an agreement shall not be less than six months.

The provisions of this Article shall apply in the same manner to agreements concluded according to authorisations in the first paragraph and into which the municipality enters with a private entity with authorisations in other laws, unless more stringent requirements for agreements are established in separate laws. The Act on Public Procurement applies as appropriate to tenders for projects.

■**Article 101.** *Obligations of private entities that undertake tasks for a municipality.*

In the event that a municipality enters into an agreement with a private entity subject to the first paragraph of Article 100, or entrusts him, on the basis of specific authorisation by law, the authority to make decisions on the rights or duties of parties, the contractor and his employees are bound by an obligation of confidentiality as regards anything of which they

become aware during the implementation of a task or service pursuant to this Article. The obligation of confidentiality is governed by the provisions of the second paragraph of Article 57, and violations thereof shall be punishable according to the General Penal Code. In addition, the provisions of the Administrative Procedures Act and the Information Act and the Act on Right to Information on Environmental Matters as well as the general rules of administrative justice apply to such public administration entrusted to a contractor.

The same applies in the event that a co-owned agency enters into such agreement with a private entity.

## **CHAPTER X. Consultation with residents.**

■**Article 102.** *Rights of residents to influence the management of a municipality.*

The council shall seek to ensure that residents and those who enjoy its services have an opportunity to influence and participate in the municipality's administration and policy formulation preparations.

The influence of residents may be ensured by:

1. effective supply of information to residents;
2. consultation with residents, such as by means of town meetings, residents' assemblies and in residents' elections
3. appointment of residents' and user committees;
4. by organising the operations of the municipality according to local circumstances;
5. collaboration or alternative assistance to residents who wish to be involved in the affairs of the municipality.

■**Article 103.** *Information on municipal affairs.*

The council shall inform its residents about any issues that the municipality has under consideration and determination and which concern the residents in general. The same applies to individual issues that are of major significance for the municipality. The council shall seek to provide residents with information on the effects of such issues and plans on the long- and short-term services of the municipality, the finances of the municipality, its environment and the goals that have been established.

The council shall seek to provide general information on the ways and methods it uses to consult with residents, such as during the preparation of cases and schedules according to the first paragraph.

The council shall, moreover, seek to ensure that the residents of the municipality regularly receive information on the collaboration in which the municipality is engaged with other municipalities, its scope and costs.

■**Article 104.** *Public content provider on municipal finances.*

The Ministry and the Icelandic Association of Local Authorities (Samband íslenskra sveitarfélaga) shall, in co-operation with Statistics Iceland (Hagstofan) ensure that information on the finances of the municipality and other important information relating thereto is made accessible to the public in an open electronic database or comparable manner.

The Ministry may issue further instructions on a content provider according to the first paragraph in a government regulation.

■**Article 105.** *Public meetings.*

The council decides whether to hold public meetings in the municipality, cf., however, Article 108. Public meetings shall be convened by public advertisement no later than 10 days prior to the meeting. The advertisement shall contain information on the form of the meeting, including whether participants will be given the opportunity to participate in discussions and

submit queries and proposals.

In the event that a vote is to be taken during the meeting, this shall be specified in the convening notice together with the proposal to be voted on. If the council sees fit, it shall prepare an electoral register of the persons eligible to vote in the municipality according to laws on elections to municipal councils, in which case only those who are listed on the electoral registry are eligible to vote in the public meeting. Otherwise, all those attending the meeting are eligible to vote. The preparation of the electoral register and advertisement are governed by the provisions of Articles 4–7 and 9–11 of the Local Government Elections Act.

Resolutions issued by general public meetings are not binding upon the council.

**■ Article 106. Residents' assemblies.**

Municipal councils can hold residents' assemblies. Residents' assemblies may, for instance, be restricted to certain areas within a municipality. Resolutions issued by residents' assemblies are not binding upon the council.

**■ Article 107. Residents' votes.**

The council decides whether a referendum is held among the residents of the municipality as regards individual issues relating to it, cf., however, Article 108.

The call to vote pursuant to the first paragraph shall be convened with at least four weeks' notice by public advertisement. At the same time, the council shall present the proposal to be submitted to the vote and the information that voters need to make an informed decision on the issue.

Entitled to participate in the vote according to the first paragraph are those who are eligible to vote in the municipality according to the Local Government Elections Act. The council shall prepare an electoral register for the vote. Its preparation and advertisement are governed by the provisions of Articles 4–7 and 9–11 of the Local Government Elections Act.

Voting must be secret and voting rights equal.

Voting according to this Article and Article 108 is advisory unless the council decides that it shall bind the council to the end of its term of office. The advertisement according to the second paragraph shall state whether the vote is binding. Such decision may be bound by the restriction that a certain proportion of those in the electoral registry participated in the voting.

In the implementation of a referendum according to this Article in other respects, the principles of the Local Government Elections Act shall apply, as applicable.

**■ Article 108. Initiative of the residents of a municipality.**

If at least 10% of those eligible to vote in a municipality request a public meeting according to Article 105, the council must hold such meeting as soon as possible. Public meetings are governed by the provisions of Article 105.

If at least 20% of those eligible to vote in a municipality request a referendum according to Article 107, the council must hold such meeting within one year of receiving such request. A council may decide on a higher percentage in an ordinance on the government of the municipality, although the proportion may never exceed one-third of those eligible to vote in the municipality. The council has decision-making powers as regards the execution of the event in question and the question to be submitted in the event of a referendum among the residents of the municipality. The execution of referendums among residents of a municipality is governed by the provisions of Article 107.

Referendums according to Article 107 cannot be requested for the substance of the municipal budget pursuant to Article 62 and its annex according to Article 63, on the income base of municipalities or the levying of other lawful dues, on recruitment to positions within the municipality, on the wages and other employment terms of municipal council members or

other employees of the municipality or for proposals that contravene laws or would lead to the failure of the municipality to fulfil legal requirements.

The Ministry shall, by regulation<sup>1)</sup> provide further instruction on the manner in which to collect signatures or other confirmation of the will of residents [according to the first and second paragraph].<sup>2)</sup> The regulation may provide for signatures being submitted on a special form that the Ministry in question or the municipality has prepared or that confirmation shall be submitted electronically in a further specified manner. If electronic confirmation is recommended, there must always be the option of submitting signatures in writing on the appropriate forms.

When assessing whether the requisite number has submitted a request according to the first paragraph, account shall be taken of the individuals who fulfil the requirements of Article 2 of the Local Government Elections Act on the date that the collection of signatures and/or electronic confirmation ends according to the voter database provided to the municipality by Registers Iceland (Þjóðskrá Íslands).

<sup>1)</sup>Reg. No. 154/2013. <sup>2)</sup>Reg. No. 155/2013. <sup>3)</sup>Act No. 159/2011, Article 1.

## **CHAPTER XI. Administrative monitoring of municipalities.**

**■Article 109.** *General administrative monitoring of municipalities.*

The Minister shall monitor that municipalities perform their duties as provided in this Act and in other lawful directives. The Minister's monitoring shall include co-owned agencies and others, insofar as they have been entrusted with undertaking administrative duties for the municipality according to authorisations in this Act or other acts of law.

The Minister's monitoring does not cover the Association of Local Authorities or regional associations of municipalities unless these parties have been entrusted with administrative tasks on behalf of individual municipalities, pursuant to the first paragraph, which the Minister would otherwise be responsible for monitoring. In addition, the Minister is not responsible for monitoring the decisions of municipalities as regards employee issues, the preparation of collective wage agreements or administrative duties carried out by the municipalities and other authorities answerable to the state who have been directly appointed to undertake such monitoring.

**■Article 110.** *Type of monitoring issues.*

The Minister's monitoring of individual decisions or actions of municipalities is for the most part carried out as follows:

1. on the confirmation of the statutes of the municipalities if the Minister has been appointed such role,
2. in the processing of issues relating to the finances of municipalities, cf. Chapter VIII,
3. in the processing of complaints, cf. Article 111, and
4. in the processing of initiated cases, cf. Article 112.

When the Minister needs to employ measures according to this Act in connection with monitoring the administration of municipalities, he shall select the measures that are the most likely to achieve the desired goals having taken into account municipal self-government. The use of more than one measure at a time is permitted according to this Act as appropriate.

Before the Minister makes a decision on employing measures pursuant to this Chapter, he shall grant the council the opportunity to submit their opinions.

**■Article 111.** *Administrative appeal.*

The parties to the issue who are subject to monitoring by the Ministry may appeal decisions on their rights or duties to the Ministry according to Article 109.

Unless otherwise provided for by law, a complaint shall be lodged within three months of the notification to a party of an administrative decision. Complaints instructions, deadlines and processing of complaints are governed in other respects by the provisions of the Administrative Procedures Act.

Notwithstanding the provisions of the second paragraph of Article 109, however, it is possible to refer to the Minister, according to this Article, the decision of a municipality to terminate the employment of an employee, provided that such decision can be traced to his offences at work, ignorance or sloppiness in his work, to actions at work or outside it considered to be incompatible with the work or other comparable reasons.

**■ Article 112. *Own initiative cases.***

The Ministry may independently decide whether there is reason to formally debate the administration of a municipality subject to its monitoring according to Article 109. The right of the parties to lodge a complaint according to Article 111. does not have an effect on such authorisation.

When the Ministry decides to address a case on its own initiative it may:

1. issue instructions on the interpretation of the laws and administration of the municipality in other respects,
2. issue an opinion on the legitimacy of actions or lack thereof by a municipality or other party subject to monitoring,
3. issue instructions to a municipality to make a decision in a case, invalidate its decision or otherwise bring matters into line with law.
4. employ other measures according to this Chapter, if necessary.

The results pursuant to the second paragraph shall be reasoned as needed. They shall also clearly state whether and in what manner the Ministry will follow-up on its conclusions.

**■ Article 113. *Access to information.***

Municipalities and other entities to whom the monitoring activities of the Ministry are directed according to Article 109 are to provide the Ministry with the information and written explanations that it requests and needs for its monitoring activities. The Ministry may request the submission of reports, documents, resolutions and other data relating to the issue.

The Ministry may request that the employees of the entities subject to the monitoring activities of the Ministry according to Article 109, provide it with information and explanations relating to individual cases and which the Ministry needs for its monitoring activities. Statutory obligations of confidentiality do not prevent the provision of such information.

In the execution of information gathering, account must be taken of the interests of the authorities and private persons in question, if appropriate, and measures may not be extended further than necessary.

**■ Article 114. *Revocation of decisions and postponement of legal effects.***

The Ministry can, on the processing of cases according to Chapter VIII and Articles 111 and 112 partly or wholly invalidate reversible decisions. The Ministry cannot make a new decision on behalf of a municipality in a case.

In the event special circumstances so dictate, the Ministry can decide to postpone the legal effects of a decision made by the municipality while the Ministry processes the case according to Chapter VIII or Articles 111 and 112.

**■ Article 115. *Invalidation of contracts.***

If a municipality or other entity subject to ministerial monitoring has entered into a contract for co-operation according to Articles 92-96 and the contract does not fulfil the requirements

of this Act, such contract shall be considered voidable. In such case, the Ministry may instruct the parties to remedy the contract defects within a specified deadline. If such instructions are not followed or prove to be impossible to execute, the Ministry may invalidate the contract.

☐The same applies if a municipality or other entity subject to the monitoring of the Ministry has entered into a contract that in significant respects does not fulfil the provisions stated in Chapter VII on municipal finances or Chapter VIII on the monitoring of municipal finances, provided that the monitoring committee monitoring the finances of municipalities has proposed such measure in a reasoned manner.

☐This provision, however, does not apply if a contract is considered meaningless with respect to the municipality due to significant defects in its substance.

■**Article 116.** *Municipal negligence.*

☐In the event that a municipality neglects its statutory obligations, such as regards the submission of information, following decisions made by the Minister in accordance with Chapter VIII, rulings according to Article 111 or instruction according to Article 112, the Ministry may, following a caution, halt payments from the Local Authorities' Equalisation Fund or employ per diem fines against the municipality until the neglect has been rectified.

☐The Minister shall, by means of a regulation<sup>»</sup> determine the minimum and maximum amount of per diem fines. The decision on per diem fines shall take into account the severity of the violation and the population of the municipality.

☐This provision will be applied to co-owned agencies as appropriate.

☐Such daily penalties shall accrue to the Local Authorities' Equalisation Fund. Per Diem fines are enforceable without prior court judgement for the settlement of fines. Per diem fines shall be collected every two months at least. The collection of per diem fines shall be postponed if the case in question is referred to the courts. Uncollected per diem fines shall be cancelled as soon as the obligation has been met.

<sup>»</sup>Reg. No. 706/2018.

■**Article 117.** *Legal action for the invalidation of the decisions of the Ministry.*

☐If a municipality, co-owned agency or private entity subject to the monitoring activities of the Ministry according to Article 109 and the ruling, decision or instructions of the Ministry according to this Chapter or Chapter VIII cover does not wish to acquiesce to the decision, the entity in question can refer the case to the courts according to general rules. If general rules reveal that legal action should not be directed at the Ministry, the case shall be referred to legal services. Such proceedings shall be initiated within six months from the date that the party obtained, or could obtain, knowledge of the Ministry's ruling.

■**Article 118.** *Suit for recognition.*

☐The Ministry may file a suite for recognition against a municipal council or other entity subject to the Ministry's monitoring activities according to this Act and which has made a decision that the Ministry considers to be unlawful or has failed to implement statutory obligations, the decisions of the Minister according to Chapter VIII, rulings according to Article 111 or instruction according to Article 112.

## **CHAPTER XII. Mergers of municipalities.**

■**Article 119.** *Mergers of municipalities.*

☐When two or more municipal councils have decided to explore the possibility of a merger between municipalities, they shall elect a joint committee to examine the matter. Each council shall elect two or more representatives to the committee, as agreed between them. The committee shall elect a chair from among its members.

When the joint committee has submitted its opinion on the merger, the matter shall be placed on the agenda of the councils in question. There shall be two debates on the matter, without a vote.

Following the council debate, the proposed merger shall be submitted to a referendum within the municipalities. The councils in question shall jointly decide when the referendum is to be held, which shall be on the same day in all the municipalities concerned.

The joint committee or the councils in question shall present to the residents of the municipalities the proposal which is to be put to the vote and its main criteria, with at least two months' notice, by means of presentation meetings and or a circular. The proposal shall, within the same deadline, be published in the Legal Notice Journal (Lögbirtingablaðið) and in the media.

The council shall prepare the ballot papers to be used in the referendum. The form of the ballot paper shall be confirmed by the Ministry. A referendum under this article shall be in accordance with the provisions of the Local Government Elections Act, as applicable. Counting of votes may not commence until all polling stations have been closed in those municipalities which participate in a referendum on a merger proposal.

**■Article 120.** *Conditions for voluntary merger.*

A municipality cannot be merged with other municipalities unless more of the voters in a referendum as provided in Article 119 are in favour than against the merger, see however the second paragraph.

Municipal councils in municipalities where a proposed merger is approved by the inhabitants may decide to merge those municipalities, even if the proposal of the joint committee is not approved by the majority of voters in all the municipalities concerned, as this involves at least  $\frac{2}{3}$  of the municipalities and that in those municipalities live at least  $\frac{2}{3}$  of the residents in the area.

**■Article 121.** *Financial measures following approval of proposed merger.*

Should a proposed merger have been approved as provided in Articles 119 and 120, the councils of the municipalities in question are prohibited from binding municipalities or approving payments from the municipal treasuries which are not entailed by law, the municipal budget or prior decisions of the council, unless such measures are approved by all the municipal councils in question.

**■Article 122.** *Preparations for the establishment of a new municipality.*

If a merger has been approved in accordance with Articles 119 and 120, the councils involved shall each appoint two to three representatives, as agreed between them, to form a special Board for the preparation of the establishment of the new municipality.

The board for the preparation of a new municipality shall prepare a Board ordinance and rules of conduct for the new council which will apply to the new municipality until its final Articles of Association have been decided. The Board may agree that the Board ordinance and rules of conduct applicable to one of the former municipalities shall apply to the new municipality until a new ordinance has been established. It shall also make decisions on the financial affairs of the new municipality, collate a summary of all ordinances and regulations that apply in the municipalities that have been merged and initiate the work of reviewing and co-ordinating them. These decisions shall be submitted to the Ministry, which then confirms the merger provided that the Ministry is of the opinion that the merger is so well prepared that it can be implemented with ease. The Ministry may, in this context, seek the opinion of the councils involved as regards the proposals that the preparatory Board for the establishment of a new municipality has prepared.

■ **Article 123.** *Merger across constituency boundaries.*

□ Municipalities may be merged across the boundary between constituencies; such a merger does not affect the organisation of constituencies for parliamentary elections.

■ **Article 124.** *Promulgation of a decision to merge.*

□ When the Ministry has confirmed the merger of the municipalities in accordance with the above, an announcement of the merger shall be published in Section B of Stjórnartíðindi (Official Gazette). This shall state the name of the new municipality, which municipalities merged to form it, the number of councillors and the entry into effect of the merger and election pursuant to Article 125. At the same time, the board ordinance and rules of conduct of the new municipality that are to enter into effect are to be published as soon as the new municipality is established according to Article 125.

■ **Article 125.** *Entry into effect of the merger.*

□ On the recommendation of the Board for the preparation of the establishment of the new municipality, the Ministry will make a decision on the manner in which the merger will come into effect. This will either be through an election to a new municipal board or by the council of one of the merged municipalities taking over the management of the new municipality until the end of the present term of office.

□ If an election for a new municipal council is to be held, the Ministry decides, according to the proposal of the Board for the preparation of the establishment of the new municipality, on what day the election for the merged municipality is to take place. In other respects, the election of the new municipal council shall be governed by the provisions of the Local Government Elections Act. A newly elected municipal council shall assume the management of the new municipality 15 days after election day. The merger shall enter into effect at the same time.

□ In other respects, the provisions of this Act and the Local Government Elections Act shall apply to the change in municipal authorities.

□ If the municipal council of one of the merged municipalities takes over the management of the new municipality to the end of the term of office, the merger shall enter into effect on the date decided by the Ministry. The mandate of other councils of the merged municipalities shall be cancelled on the same date.

■ **Article 126.** *Revision of ordinances and regulations.*

□ The municipal council of the merged municipality shall, as soon as possible, debate and establish new ordinances, regulations and price lists for the new municipality. The council may decide that particular rules or ordinances that have applied in one municipality shall apply to the new municipality as a whole while working on the establishment of new rules. Such decisions are governed by the same rules as apply to the establishment of new rules in the field in question, including that of requirements for two debates or ministerial confirmation if applicable. During such time as work is carried out on the establishment of appropriate regulations for the new municipality, the earlier rules shall apply in each of the former municipalities but not for longer than three months from the entry into effect of the merger.

□ To the extent that decisions, such as those relating to taxes, cannot be changed within the year due to the provisions of other laws, different rules shall be permitted within the new municipality during such time as provided for by the provisions of the Act in question.

■ **Article 127.** *Financial assistance from the Local Authorities' Equalisation Fund.*

□ The Ministry may, on the recommendation of the Association of Local Authorities, issue general rules<sup>1)</sup> authorising the Local Authorities' Equalisation Fund to provide financial

assistance to facilitate the merging of municipalities. Such assistance may be provided for up to five years after the merger.

<sup>1)</sup> *Reg. No. 295/2003, cf. Reg. No. 691/2012.*

### **CHAPTER XIII Relations and consultation between the state and municipalities.**

■ **Article 128.** *Formal consultation and collaboration between the state and municipalities.*

□ The government shall ensure formal and regular collaboration with municipalities on important state matters that relate to the position and the duties of municipalities. Formal collaboration shall take place e.g. in the submission of legislative bills that relate to the municipalities and on the management of state finances, division of responsibilities between the state and municipalities and other important matters that concern the interests of the municipalities or their finances.

□ The consultation committee of the state and municipalities shall meet at least once a year. Permanent seats during the meeting of the consultation committee are held by the Minister of Municipal Affairs, [the Minister responsible for government finances]<sup>1)</sup> and the Chairman of the Association of Local Authorities (Samband íslenskra sveitarfélaga). Other Ministers attend the meetings of the consultation committee as needed. In other respects, the appointment of the consultation committee is governed by the provisions of the collaboration agreement, cf. the fourth paragraph.

□ Overall management of the collaboration according to this Article is in the hands of the collaborative committee of the state and the municipalities. Members of the committee are the permanent secretaries of the Ministry responsible for municipal affairs and (the Ministry responsible for state finances)<sup>1)</sup> and three representatives nominated by the Board of the Association of Local Authorities (Samband íslenskra sveitarfélaga). If necessary, the collaboration committee may decide to call in representatives from other ministries. The collaboration committee operates under the authority of the consultation committee and is the venue for regular discussion on the communication issues of the state and municipalities.

□ Collaboration according to this Article shall be further defined in the collaboration agreement between the state and municipalities which shall be prepared by the collaboration committee or in special legislation as appropriate. Also addressed shall be the preparation of annual national economic and municipal forecasts that must be used as the basis for the collaboration according to this Article and which the municipalities are under obligation, as appropriate, to use as the foundation for the preparation of budgets.

<sup>1)</sup> *Act No. 21/2012, Article 8.*

■ **Article 129.** *Cost assessment.*

□ If it is foreseeable that a proposal for a legislative bill, proposal for administrative instructions or other policy formulating decisions on the part of state authorities will have a financial impact on municipalities, a special assessment shall be made of such impact on the finances of municipalities. The Ministers in question shall be responsible for ensuring that such assessments are prepared.

□ When an assessment of the financial impact of a proposed legislative bill, proposed administrative instructions or other policy formulating decisions, according to the first paragraph, has been prepared, it must be immediately be submitted to the Association of Local Authorities (Samband íslenskra sveitarfélaga) for comment.

□ An assessment of the financial impact on municipalities pursuant to this Article shall be prepared before a bill is processed by the government for submission to the Alþingi or planned administrative instruction or other actions on the part of the authorities are finally

decided.

In the event of a dispute as regards the results of the financial impact of a legislative bill, a cost report thereto must be attached to the bill when it is submitted to the Alþingi. In the event of a dispute on the conclusion of the cost assessment of administrative instruction or other policy formulating decisions on the part of the state authorities, the results thereto shall be stated in the final cost assessment of that decision, cf. the third paragraph.

The Ministry responsible for local government affairs shall annually collate a summary of cost assessments pursuant to this Article, including any disputes. Formal discussions concerning the summary and its conclusions shall be conducted by the consultation committee according to Article 128.

#### **CHAPTER XIV. Municipal language policies.**

##### **■ Article 130.** *Language policy.*

Municipal councils formulate language policies in consultation with the Icelandic Language Committee and, as appropriate, the Icelandic Sign Language Committee. This shall state that all data must be available in Icelandic as far as possible and provide information on permitted exceptions from this rule. It shall establish rules on the use of Icelandic sign language and Icelandic braille in data and the activities of the municipality. In addition, it shall state what data commonly is available in foreign language format and what languages are involved. It shall, moreover, establish rules on the right of residents of foreign origin to communications with the agencies of the municipalities in a language other than Icelandic.

The language used in the activities of the municipality or on its behalf must be of good quality, comprehensible and clear.

#### **CHAPTER XV. Miscellaneous provisions, entry into force and amendments to other acts.**

##### **■ Article 131.** *Municipal council becomes unable to function.*

Should a council become unable to function in the opinion of the Ministry due to a state of emergency in the municipality, such as due to natural disaster, the Ministry may entrust the council and the appropriate committees of a neighbouring municipality to govern the municipality. The Ministry may also appoint to the municipality a special executive board of experts on the operation of municipalities which will then take over, in its entirety, the role of the dysfunctional council, its committees and employees as needed. The Ministry shall, by means of a regulation, establish general instructions on the operating procedures of such an executive board.

The Ministry shall publish its decision according to the first paragraph in *Lögbirtingablaðið* (the Legal Notice Journal) in which case such decision may only be effective for four months at a time.

##### **■ Article 132.** *Special rules on the administration and organisational structure of individual municipalities.*

If the municipality so requests, the Ministry may, for experimental purposes, confirm an ordinance on the board and rules of conduct for the municipality which assumes a different organisational structure than provided for in this Act, including a greater number of council members and the greater role of individual committees or employees of the municipality in the daily management of the municipality that results thereof.

In the same manner as provided for in the first paragraph, the Ministry may, on the confirmation of a collaborative agreement pursuant to Article 93, to permit, for experimental

purposes, deviations from the provisions of Chapter IX on collaboration between municipalities and agreements on the operation of projects.

The object of the authorisation according to the first and second paragraph is to provide opportunity for measured development at the municipal level, including as regards the enlargement of municipalities. Ordinances on the board and rules of conduct that are approved on the basis of this Article shall be detailed and cover all the aspects necessary to ensure that the administration of the municipality can be conducted with ease. As a rule, no more than one organisational structure experiment of the same nature should be attempted each time.

In the event that the authorisation granted by the first and second paragraphs is used, this shall not be for longer than eight years at a time, unless there are compelling reasons to do so. In the event of the discontinuation of the organisational structure decided pursuant to this Article, the municipal council shall immediately establish for the municipality new ordinances and rules of conduct that are in accordance with the provisions of this Act. In such case, this authorisation cannot be employed again by the municipality concerned until after eight years have elapsed.

■ **Article 133.** *Entry into force.*

This Act shall enter into force on 1 January 2012. ...

■ **Article 134.** *Amendments to other Acts.* ...

## **Interim provisions.**

### ■ I.

1. If a property lies within two or more municipalities, the municipalities in question shall, not later than 1 January 2013, have reached an agreement on changes to the borders of the municipalities so that the provisions of Article 4 are fulfilled.

2. Notwithstanding the provisions of Article 11, there is no obligation to change the number of representatives in a municipal council until after the second general election to the council from the entry into effect of this Act.

3. The provisions of item 2 of Article 44 concerning gender quotas and the rules of this Act that refer thereto directly shall first take effect on the appointment of committees after the next general municipal elections after the entry into force of this Act.

4. The provisions of item 1 of the second paragraph of Article 64 apply as of the 2011 accounting year. Earlier accounting years do not count in the definition of the three-year period according to the provision.

5. Municipal agreements with auditors that are in effect on the entry into force of this Act shall retain their effectiveness for the term stipulated in the agreement, but not longer than six years from the entry into force of this Act.

6. As of the entry into force of this Act, no agreements may be concluded on the collaboration of municipalities or with private entities which contravene the provisions of this Act. Such agreements that are already in effect shall retain their effectiveness to the extent that they are in accordance with the provisions of the [Local Authorities Act No. 45/1998](#) and the provisions of other laws, although it must be ensured that they fulfil the provisions of the present Act no later than 15 October 2014.

7. The ordinances on mountain retrieval of stock that have been established on the basis of legislation applicable to upland grazing issues, retrieval of stock, etc., No. [6/1986](#), and which are in effect on the entry into force of this Act shall retain their effectiveness. The tasks allocated to regional councils according to ordinances are transferred to the boards of stock

retrieval districts. If more municipalities together form a stock retrieval district, their councils shall have decided the arrangement of stock retrieval management before the entry into force of this Act.

8. A review must be made of the provisions of this Act on the finances of municipalities within five years of entry into force in light of experience of their implementation.

## ■ II.

The local authorities of the municipalities that do not fulfil the criteria provided for in the second paragraph of Article 64 on the entry into effect of this Act shall, before 1 September 2012, approve a realistic schedule on the manner in which they intend to fulfil the criteria. If necessary, for the purpose of ensuring that the schedule is realistic, the criteria may be expected to be fulfilled over a period of up to ten years.

## ■ III.

[At the request of the municipality in question, the municipal finances monitoring committee and the Minister for Municipal Affairs are under obligation, on the calculation of its results and financial position pursuant to Article 64, to exclude income, expenses, assets, liabilities and obligations that result from its shareholding in utilities and energy companies for up to ten years from the entry into effect of the Act, as the municipality would suffer significantly greater expenses and/or be subject to significantly greater debts than otherwise due to the shareholdings.]<sup>1)</sup>

<sup>1)</sup>Act No. 10/2014, Article 1.

## ■ IV.

Ordinances on the board and rules of conduct of municipalities that are in effect on the entry into force of this Act shall retain their validity to [30 June 2013],<sup>2)</sup> to the extent that they do not contravene the provisions of this Act.

<sup>2)</sup>Act No. 148/2012, Article 1.

## ■ [V.

For the purpose of supporting the execution of electronic democracy in municipalities, the Minister may permit, at the request of the municipality in question, that residents' votes on the basis of Chapter X of the Local Government Act are exclusively electronic and that the electoral register for residents' votes is electronic.

The Ministry shall, by regulation<sup>3)</sup>, provide further instruction on the preparation, execution and arrangement of electronic voting and the compilation of electronic electoral registers, including as regards the type and use of an electronic electoral register, the reference date of the register, advertisement of the register and authorisations for changes thereto, on the appointment and working practices of electoral commissions, treatment of ballots, deadlines, execution security that ensures the secrecy of the voting, type of election system, encryption and execution of security audit, identification requirements, the manner in which votes are counted, voting complaints and the deletion of data from voting systems on the completion of elections. In other respects, the provisions of Article 107 apply to electronic residents' elections and the compilation of electronic residents' electoral registers.

The regulation shall also provide for the role of Registers Iceland (Þjóðskrá Íslands), including with respect to the type and management of the website, identification, searches in the National Register and counting. Registers Iceland may collect a fee in accordance with the price list of the agency for the services that it provides for the preparation and execution of electronic residents' voting according to the first paragraph and electronic signature collections according to Article 108, as well as for compilation of electronic registers according to the first paragraph.

Municipal councils are authorised to apply the provisions of the Regulation in the execution of residents' surveys as applicable.

Municipal councils are authorised, on receiving the approval of the Minister, to set the age of entitlement to vote in a residents' vote at 16 years.

The Minister shall appoint a three-member advisory committee to advise the Minister and to monitor the execution of electronic residents' voting and the compilation of electronic electoral registers, as well as to undertake other tasks that the Minister may entrust to it in this field. One shall be appointed by the Association of Local Authorities (Samband íslenskra sveitarfélaga) and two without nomination. Three alternates shall be appointed in the same manner. The Minister shall appoint the chair of the committee.

[This provision remains in force to 31 May 2023.]<sup>2)</sup> <sup>3)</sup>

*<sup>1)</sup>Reg. No. 966/2018. <sup>2)</sup>Act No 73/2018, Article 1. <sup>3)</sup>Act No. 28/2013, Article 1.*