Local Governments in Iceland
Preface

The local authorities have long played a key role in the Icelandic community. Their roots can be traced all the way back to the Commonwealth Period (930-1262). The local authorities are responsible for a large share of government projects and services. Their biggest undertaking is education, i.e., the operation of preschools, compulsory schools and music schools.

The concerns of local authorities are in continuous development and re-examination. The role of local authorities has changed, with a substantial increase in their tasks. In many instances the local authorities have collaborated on particular tasks. In some cases the collaboration has later led to merger of the municipalities involved.

Rapid social development over the last decades, improved communications, increased duties of local authorities and shifting of tasks to them have greatly encouraged the merger of municipalities. The number of municipalities has therefore substantially decreased in recent years, and their scope has expanded. In 2006, the number of municipalities was 79, while the number in 1990 was 204.

Despite the fact that municipalities are very different in nature and size, as well as population, they all have the same duties under the law.

This booklet touches on the main functions of the local authorities in Iceland’s governmental system and their main tasks and duties at the start of the 21st century.
Iceland is one of the biggest islands in Europe, 103,000 m² in area. The population of Iceland is only about 300,000 (2.9 per m²). Iceland is therefore one of the most sparsely populated countries in the world. The entire country is divided into regional municipalities that have self-determination and responsibility regarding their own affairs. More than 60% of the population lives in the capital city area.

The settlement trend in Iceland has been similar to that in other parts of Europe in the last decades. People have steadily migrated from more distributed settlements to urban cores. Over a relatively short period, rapid change in working patterns has strengthened communities in particular parts of the country at the cost of other areas.

For a long time, Icelanders based their livelihood, for the most part, on fisheries and agriculture. In the past 25 years, industry and all kinds of services have rapidly increased. Icelanders benefit from their access to a wealth of renewable energy sources. Electricity is produced by damming rivers and harnessing geothermal power, and houses are generally heated with geothermal hot water.
Iceland has two administrative levels of government: the State and the Local Authorities. The Icelandic governmental system builds on the separation of the judicial, legislative and executive powers. The local authorities are one of the two sources of governmental executive power in Iceland.

The special status of the local authorities derives from their legal authority of self-government regarding their own affairs, and this right is protected under Article 78 of the Constitution of Iceland. This article states that the local authorities shall determine their own affairs in accordance with the law. Consequently, the local authorities are bound within the legal framework enacted by Iceland’s Parliament, Althingi. The right of self-government is also reiterated in Article 2 of the Act on Local Authorities, which states that no matter involving the special interests of a local authority shall be finally determined without the local authority’s opinion.

The local authorities play an important role in the implementation of regional democracy. They are the part of government closest to the general public. Every four years, the residents of municipalities elect their representatives to local government to exercise authority and make decisions for the municipality on their behalf.

The local authorities all have the same status and legal duties, regardless of population. In addition to the administrative function of the local authorities, they see to the implementation of and bear responsibility for many key governmental services. Here it is worth mentioning fundamental services like education and social services.
The local authorities, almost from the beginning of Iceland’s settlement, have been a basic unit in the country’s governmental system. The first written historical source regarding local authorities (or parishes, as they were then called) is Grágás, Icelanders’ book of statutes from the 12th century. It is stated therein that there shall be 20 or more farmers in a parish, which is the equivalent of requiring at least 400 residents in each parish. This is remarkable in light of current legislation stipulating that there be at least 50 residents in each municipality.

The existence of the local authorities in Iceland can be traced to the democratic traditions that settlers knew from the Nordic culture of their former homes. The original role of the local authorities was formulated on the basis of community help. Although the Danish king finally abolished the parishes’ independence in 1809, it had in fact been lost much earlier.

The municipalities were then re-established by a directive from Christian IX of Denmark on 4 May 1872. The first Act on Local Authorities was passed in 1905.

The status of local authorities in the country’s governmental system, their role and tasks have of course changed greatly over the years, along with Iceland’s status and views on government and other societal changes.
Local authorities' role and tasks

The local authorities in Iceland have extremely diverse duties. They are expected to perform the tasks entrusted to them by law; in addition, they have a certain degree of flexibility in undertaking other tasks pertinent to the residents. The local authorities therefore perform an important community function.

They provide their residents with general basic services. They provide part of the foundation of Icelanders' welfare society. In addition, they provide their residents with technical basic services. It is their duty, along with the State, to provide the economy with the infrastructure for its activities. The role of the local authorities has been developing and changing, with new service tasks that they have undertaken in recent years in accordance with the changed division of labour between the State and them and the demands and expectations of their residents. The local authorities are often the biggest employer within their municipality's boundaries.

The services provided by local authorities are, on the one hand, required by law, and, on the other, based on Article 7 of the Act on Local Authorities, they have considerable leeway in providing their residents with services not required by statute, provided that the tasks involved are for their residents but are not entrusted to other entities by law. Each local authority can formulate its policy on which services it will provide that are not required by law, and this is founded on its constitutionally provided right of self-government.

Local authorities' statutory tasks are various, but they can roughly be divided into three categories:

- Administration, which includes seeing to the monitoring of public health and construction and issuing various licences for business and commercial life.
- Welfare services for individuals or defined groups, such as social services, the operation of compulsory schools, preschools and music schools, youth, sport and leisure activities, etc.
- Technical services that the residents enjoy generally, such as street construction, utility services, firefighting, etc.

The biggest individual task of the local authorities is education and upbringing, which comprise half of all of their expenditures. Next after this are social services, with 13% of expenditures, 12% of which goes to youth and sports affairs.

The local authorities' share in public consumption in Iceland has ranged between 32% and 35% in recent years, and this is considerably less than in other Nordic countries, where the proportion is 60-70%. Part of the explanation is that, in most instances, three administrative levels are involved, i.e., the State, the local authorities and administrative regions or their like. The administrative region, an in-between administrative level, is where various tasks that the State takes care of in Iceland are handled, like the operation of hospitals and upper secondary schools.

The local authorities also play a significant role as employers, and Icelandic local authorities, as a whole, are one of the biggest employers in the country. There are 22,000 municipal employees in nearly 18,000 full-time equivalent positions. In many parts of Iceland, local authorities, large as well as small, are the biggest single employer in their job and service area. About 60% of municipalities' tax revenues go to paying employee wages and wage-related fees.

Local governments run various activities in independent operational units or companies, such as water utilities, heating utilities, social apartments and harbours. These companies have independent revenues and finances.
Local authorities’ income

By far the biggest part of Icelandic local authorities’ income (63%) is based on municipal income tax. Various service fees account for 18% of the income, property taxes 11% and income from the Municipality Equalisation Fund accounts for 8% of total revenues.

By national law, the local authorities have some leeway in determining taxes. The municipal income tax percentage can vary from one municipality to another – the minimum percentage is 11.24% in 2006, and the maximum is 13.03%. The increased demand for services and more tasks have led, among other things, to the average municipal income tax in the last five years rising by more than a percentage point, from 11.96% in 2000 to 12.98% in 2005. The difference between particular municipalities has likewise decreased.

The municipalities also have some flexibility in levying property taxes on residential and commercial buildings. The property tax percentage for residential housing (A-tax) has been as much as 0.5% and that on commercial premises (C-tax) up to 1.5%. Local authorities are authorised to levy a special A and C tax of 25%. Up until 2006, various government buildings like schools and hospitals were exempt from property taxes. This exemption will now be abolished in stages, and when this process is finished in 2008, a 1.32% property tax (B tax) will be levied on these properties.

The Municipality Equalisation Fund was founded in 1937, and over time its activities have changed in various ways. Its operations were last restructured in 1990 due to changes in the division of labour between the State and local authorities, and in 1996, when the local authorities took over all operation of compulsory schools from the State, the fund got the task of evening out compulsory school costs. On the one hand, the Equalisation Fund’s function is to make allocations to municipalities to balance their income possibilities and payment needs according to certain regulations. On the other, the fund pays a share of rent compensation to all local authorities and statutory contributions to institutions and associations of local authorities.

On average, about 8% of local authorities’ total revenues come from the Equalisation Fund. The share varies greatly from one municipality to another.

Other municipal income derives from various smaller income bases like plat rental, in addition to service fees, for example, for garbage disposal and sewage. The service fees are subject to the limitation that they may not exceed the cost incurred in providing the service. Revenues from municipal service fees vary greatly, depending on the degree of service provided.

The annual budget creates the financial frame for the activities of each local authority. It is on the basis of the budget that money is allocated to certain issue areas and to operations or construction projects.
The municipalities are governed by local authorities, which is a collective term for city government, town government and parish councils that are elected in democratic elections every four years. The number of aldermen in each municipality varies, depending on the population of each municipality. By law, a local government consists of three main members with as many reserve members. Most local governments have from 5 to 11 main members, but the City of Reykjavik, with 15, has the most.

The main function of each local government is to see to it that the operation and activities of the municipality involved meet current legal requirements. Parallel to this, the local government must work for the communal interests and welfare of the residents insofar as possible each time. Local governments pass resolutions on their activities within the current legal frame, and their administration varies to some extent from one municipality to another.

One of the main characteristics of local authorities is that multiple authorities, i.e., committees, councils and governments, deal with matters and make decisions. A local government selects its representatives for committees to deal with particular matters, such as planning and construction, school affairs, social affairs, etc., most often in proportion to the politically elected representatives in the local government. This thus ensures voices for political viewpoints in proportion to their political following in municipal elections. Important transparency of the governmental system accompanies this arrangement. Decisions are made at meetings and entered into minutes. It should be easy to trace the information underlying the decision process and to hold those who have made the decision or worked on its preparation accountable.

The committees’ main tasks are to deal with requests and matters within their purview and present proposals. Final approval of their proposals is generally the responsibility of the local government. Nevertheless, a local government may entrust individual committees or employees with final decision-making power in demarcated issue areas.

Local governments’ employees prepare the meetings of various committees for making decisions in particular matters.
Local government elections

In the municipal elections of 2006, all parties in Althingi put up slates of candidates for local government, either independently or in collaboration with others. In addition, it is extremely common for there to be slates of candidates not connected with the political parties running for Althingi. In the least populated municipalities, no-slate elections are held, i.e., there are no slates of candidates, and voters write in the names on the election ballot of those they want to elect to local government. The individuals receiving the most votes are then elected to the local government in the municipality involved. In the 2006 elections, 19 municipalities held no-slate elections.

The Independence Party ran candidates in 37 municipalities, the Progressive Party in 23, the Social Democratic Alliance in 15, the Leftist Green Party in 12 and the Liberal Party in 5. The number of slates in particular municipalities ranged from 1 up to 6.

After the municipal elections of 1990, there were 1116 aldermen in Iceland, but after the municipal elections in 2006, the number had decreased to 529, which is explained by the marked decrease in the number of municipalities.

In 1962 the proportion of women in local governments was only 1%. Since then the proportion of women in local governments has been increasing, and in 1998 it had reached 28%. In 2002 the proportion was 31%, but then 9 out of 105 local governments consisted solely of men. In 2006 the proportion of women was 36%, but 5 out of 79 local governments still consisted solely of men.

Participation in municipal elections in Iceland has been extremely good and greater than in most Western democratic states. In the last four decades, the participation in municipal elections has been rather steady, around 85% on average, for the entire country. Electoral participation has been known to range from 90% to 100% in particular municipalities. Electoral participation in 2006 was about 80%.
Until the final decade of the last century, the organisation of municipalities built mainly the Danish king’s directive of 1872 on the division of the country into municipalities. The country was then divided into 172 municipalities, taking into account, for example, the communication modes of the time. In the first part of the century, the number of municipalities increased somewhat when urban areas in many parts of the country became independent municipalities. The number of municipalities peaked at 229 in 1950.

After 1990 a special campaign began to merge municipalities, with co-operation between the Ministry of Social Affairs and the Association of Local Authorities in Iceland, and the same parties organised a similar campaign in 2005. The residents in each municipality were allowed to vote on whether or not their municipality would be merged with another one. This democratic procedure has produced excellent results even though it has taken a while, for after the municipal elections in the spring of 2006, there are 79 municipalities, and they have decreased by 150 from when they were most numerous.

Despite this decrease in number, the municipalities still differ greatly in geographical size and population. In the capital city of Reykjavik, the population is now about 115,000 or roughly 38% of the country’s population. There are only four other municipalities of over 10,000 and four others with populations of more than 5000. There are still 47 municipalities with populations of under 1000, where 8% of the nation live.

A municipality’s smallness can be both an advantage and a disadvantage. The advantages include closeness of the residents to the local government and simple communications. This closeness can in fact become too great in the smallest municipalities, putting aldermen in a difficult position when making decisions because of ties and vested interests. The disadvantages include very limited leeway in a small municipality to provide services comparable to those in larger municipalities. Also, it can prove difficult in such municipalities to perform the diverse governmental functions with which they have been charged.

In the spring of 2006, the average population of a municipality was about 3800, while in 2002 it was over 2700. In 2002 the average geographical size of a municipality was 976 km², while today it is about 1300 km².
The Association of Local Authorities in Iceland was founded in 1945. Under the Act on Local Authorities, the association is a joint advocate for the local authorities in Iceland. All local authorities in Iceland now belong to the association, but their participation in its activities is voluntary.

A large part of the association’s activities entail efforts in all kinds of interest areas of the local authorities, such as protection of their interests vis-à-vis the State, etc. The association’s role in wage affairs in recent years has noticeably increased, such as its participation in international collaboration, specifically on the basis of the EEA Agreement.

The Association of Local Authorities in Iceland also promotes increased relations between aldermen. It serves in an advisory capacity, disseminating information about particular aspects of local government affairs through education, conferences and the issue of various specialised publications. Also, for decades the association has published the magazine Local Government Affairs and maintains an information and communications web site at www.samband.is.

The association’s national convention is held every year. The convention exercises the highest authority in the association’s affairs. All local authorities in Iceland have representatives there, the number of which varies by population. At the convention held at the conclusion of general municipal elections, 11 people are elected to the association’s Board of Directors for a four-year term. Nine people are also elected to the Local Authorities’ Wage Committee, which is the agent for a number of unions in wage agreement negotiations for most of the local governments in Iceland.

The office of The Association of Local Authorities in Iceland is at Borgartún 30 in Reykjavik. The office is operated in cooperation with the Local Authorities’ Loan Fund and the Emergency Relief Fund. The Loan Fund has a separate managing director, but the association and Emergency Relief Fund have a joint managing director. About 20 people work in the office of the association and its two collaborating organisations.
Regional associations of local authorities

In addition to belonging to the umbrella organisation, The Association of Local Authorities in Iceland, the municipalities operate eight regional associations of local authorities. Their boundaries, for the most part, follow the old electoral district organisation, i.e., the capital city area, West Iceland, West Fjords, North Iceland – West, North Iceland – East, East Fjords, South Iceland and Sudurnes. The regional associations with pursue the joint interests of the local authorities in each region. In some instances, the regional associations have also been entrusted with special operational tasks of the local authorities, like refuse disposal and operation of school offices.