

Local Government Act (410/2015)

PART I GENERAL PROVISIONS

Chapter 1 – General provisions

Section 1 – *Purpose of Act*

- (1) The purpose of this Act is to establish the conditions in which, in municipal activities, the self-government of the residents in a municipality can take place and opportunities can occur for the residents to participate and exert an influence. A further purpose of the Act is to advance and facilitate the systematic nature and financial sustainability of municipal activities.
- (2) Municipalities shall advance the well-being of their residents and the vitality of their respective areas, and shall arrange services for their residents in a way that is financially, socially and environmentally sustainable.

Section 2 – *Scope of application*

This Act applies to the arrangement of administration and finances in local government and to municipal activities as referred to in section 6(2), unless otherwise provided by law.

Section 3 – *Natural and legal persons resident in a municipality*

Natural and legal persons resident in a municipality are:

- 1) persons whose municipality of residence as referred to in the Municipality of Residence Act (201/1994) is the municipality in question (*residents of the municipality*);
- 2) corporate entities and foundations whose domicile is in the municipality;
- 3) parties that own or control fixed assets in the municipality.

Section 4 – *Names of municipalities*

- (1) Any decision to change the name of a municipality shall be made by the local council. Before such a decision is made, an opinion must be obtained from the Institute for the Languages of Finland. A change of name must be notified to the Ministry of Finance.
- (2) A municipality may use the designation 'town' or 'city' if it considers that the requirements for an urban community are met.

Section 5 – *Municipal coat of arms*

- (1) A municipality may have a coat of arms that has been approved by the local council. Before the coat of arms is approved, the municipality must obtain an opinion from the National Archives.
- (2) Use of the coat of arms shall be overseen by the local executive or other municipal authority specified in the administrative regulations.

Section 6 – *Local authority corporation and municipal activities*

- (1) A *local authority subsidiary* is a corporate entity in which a municipality exercises the control referred to in section 5 of Chapter 1 of the Accounting Act (1336/1997). The municipality and its subsidiaries together constitute a *local authority corporation*. The provisions of this Act concerning local authority subsidiaries also apply to foundations that fall within the sphere of the municipality's control.
- (2) *Municipal activities* comprise the activities of the municipality and local authority corporation, the municipality's involvement in cooperation between municipalities, and other activities based on ownership, agreement and financing.

Chapter 2 – Functions and service arranging responsibility of municipalities

Section 7 – *Functions of municipalities*

- (1) Municipalities shall perform functions that they choose for themselves by virtue of their self-governing status and shall arrange the functions provided for them separately by law. The law also specifies when functions have to be arranged in cooperation with other municipalities (*statutory joint responsibility*).
- (2) Municipalities may, on the basis of an agreement, also perform public functions other than those which pertain to their self-governing status.

Section 8 – *Service arranging responsibility of municipalities*

- (1) Municipalities may arrange the functions provided for them by law themselves or may agree on transferring service arranging responsibilities to another municipality or a joint municipal authority. In the case of statutory joint responsibility, the service arranging responsibility will lie with the other municipality or the joint municipal authority.
- (2) In the performance of the functions, the municipality or joint municipal authority with service arranging responsibility shall be responsible for the following in respect of the services and other actions being arranged:
 - 1) equality of availability;
 - 2) definition of need, quantity and quality;
 - 3) method of provision;
 - 4) monitoring of provision;
 - 5) exercise of the powers of public authority.
- (3) Municipalities shall be responsible for the financing of their functions, even if the service arranging responsibility has been transferred to another municipality or a joint municipal authority.

Section 9 – *Provision of services*

- (1) Municipalities or joint municipal authorities may themselves provide the services for which they have a service arranging responsibility, or they may acquire these from another services provider on the basis of an agreement. Provisions on the use of service vouchers shall be laid down separately.
- (2) Municipalities may, however, assign a public administrative function to a party other than a public authority only if this is provided separately by law.
- (3) When municipalities or joint municipal authorities acquire services provided by law from another services provider, they retain the service arranging responsibility referred to in section 8(2). In addition, the services provider's responsibility for the services is determined in accordance with the provisions of this Act or those laid down elsewhere, and on the basis of what is agreed between the municipality or joint municipal authority and the services provider.

Chapter 3 – Relationship between central and local government

Section 10 – *Monitoring municipalities and oversight of legality*

- (1) The Ministry of Finance shall monitor the activities and finances of municipalities in general and ensure that their self-governing status is taken into account whenever legislation concerning local government is drafted.
- (2) If a complaint on the grounds of procedural error is made, the Regional State Administrative Agency may investigate whether the municipality has acted in accordance with legislation in force.

Section 11 – *Negotiation process between central and local government*

The negotiation process between central and local government shall consider the legislation on local government, central government measures that are far-reaching and important in principle concerning the activities, finances and administration of local government, and the coordination of central and local government finances, as laid down in sections 12 and 13. In the negotiation process the municipalities shall be represented by the Association of Finnish Local and Regional Authorities.

Section 12 – *Programme for local government finances*

- (1) A programme for local government finances shall be prepared as part of the negotiation process between central and local government. Preparation of the programme for local government finances shall form part of the preparatory work for the general government fiscal plan and the central government's budget proposal.
- (2) The programme for local government finances shall include the part of the general government fiscal plan that deals with local government finances. Provisions on the general government fiscal plan are laid down in and under the Act on the Implementation of the Treaty on Stability,

Coordination and Governance in the Economic and Monetary Union and on Multi-annual Budgetary Frameworks (869/2012).

- (3) The programme for local government finances shall include an assessment of the adequacy of funding for meeting the duties of municipalities (*principle of adequate financial resources*). The programme shall contain an assessment of changes in the municipalities' operating environment and demand for services, and in the functions of local government, and shall provide an estimate of the trend in local government finances. Local government finances shall be assessed as a whole, as part of general government finances and in terms of different groups of municipalities. The assessment shall distinguish between the statutory and other functions of municipalities and shall assess the cost-effectiveness of the activities of municipalities.
- (4) An assessment of the trend in local government finances and of the impact of the central government's budget on local government finances shall be made in connection with the central government's budget proposal.
- (5) The programme for local government finances shall be prepared by the Ministry of Finance together with the Ministry of Social Affairs and Health, the Ministry of Education and Culture, the Ministry of the Environment, the Ministry of Transport and Communications, the Ministry of Employment and the Economy and, if necessary, other ministries. The economic forecasts and the assessment of the trend in local government finances, which form the basis for the programme for local government finances, shall be prepared by the Ministry of Finance. The Association of Finnish Local and Regional Authorities shall participate in the preparation of the programme for local government finances.

Section 13 – *Advisory Committee on Local Government Finances and Administration*

- (1) The negotiation process between central and local government shall include consideration of matters concerning the activities, finances and administration of local government by the Advisory Committee on Local Government Finances and Administration, which operates in conjunction with the Ministry of Finance.
- (2) The Advisory Committee's task shall be to monitor and assess the trend in local government finances, and ensure that the programme for local government finances is taken into account in the drafting of legislation and decisions concerning local government. Provisions on the more detailed tasks of the Advisory Committee and its composition and sub-committees shall be laid down by government decree.

PART II

DEMOCRACY AND EXERTING INFLUENCE

Chapter 4 – Local councils

Section 14 – *Duties of local councils*

- (1) Municipalities shall have a local council, which shall be responsible for the municipality's activities and finances and shall exercise the municipality's power of decision.

- (2) The local council shall decide on:
- 1) the municipal strategy;
 - 2) the administrative regulations;
 - 3) the budget and the financial plan;
 - 4) the ownership policy principles and the corporate governance principles applying to the local authority corporation;
 - 5) the operating and financial objectives set for municipally owned companies ;
 - 6) the principles for managing assets and for investment activities;
 - 7) the principles for internal control and risk management;
 - 8) the general principles concerning payments charged for services and for other tasks performed;
 - 9) the granting of a guarantor's undertaking or other security for another party's debt;
 - 10) the election of members to the decision-making bodies, unless otherwise provided hereafter;
 - 11) the principles concerning the financial benefits of elected officials;
 - 12) the appointment of auditors;
 - 13) the approval of the financial statements and the granting of discharge from liability.
 - 14) other matters that are laid down for the decision of the local council.

Section 15 – *Local elections*

- (1) Local councillors and deputy councillors shall be elected to the local council in local elections held within the municipality. The term of the local council shall be four years, and this shall begin at the start of June in the election year.
- (2) Local elections shall be direct, proportional and by secret ballot. All eligible voters have an equal right to vote.
- (3) Provisions on holding local elections are laid down in the Election Act (714/1998) and the Act on Local Authority Boundaries (1698/2009).

Section 16 – *Number of local councillors*

- (1) The number of local councillors shall be decided by the local council. The number of local councillors elected shall be an odd number based on the population of the municipality, as follows:

Population	Minimum number of local councillors
no more than 5,000	13
5,001—20,000	27
20,001—50,000	43
50,001—100,000	51
100,001—250,000	59
250,001—500,000	67
more than 500,000	79

- (2) Unless the local council makes a decision about the number of local councillors, the number of local councillors elected shall be the minimum laid down by law. A local council decision about a larger number than the minimum, or a change to a previous decision, must be notified to the Ministry of Justice by the end of the year preceding the election year. A local council decision on the number of local councillors may be put into effect before it has attained legal force. However, action to put the decision into effect is not permitted if an administrative court forbids this.
- (3) The population figures referred to in this section shall be based on the information held in the Population Information System referred to in the Act on the Population Information System and the Certificate Services of the Population Register Centre (661/2009) at the end of the 30th day of November in the year preceding the election year.

Section 17 – *Deputy councillors*

- (1) The same number of deputy councillors as there are local councillors, though a minimum of two, shall be elected for the local councillors from among the first unelected candidates of each electoral alliance, party or joint list that featured in the local elections. An elected local councillor who was the candidate of a constituency association not on a joint list shall have no deputy councillor.
- (2) If a local councillor is found to have forfeited his or her eligibility for election, has been relieved of his or her post or has died, the local council chairperson shall invite in his or her place for the remainder of the term the deputy councillor who is next in line from the electoral alliance, party or joint list in question.

Section 18 – *Chairperson and deputy chairpersons*

- (1) Local councils shall elect from their members a chairperson and the necessary number of deputy chairpersons for the council's term of office, unless the council has decided that their term will be shorter than that of the council. The chairperson and deputy chairpersons shall be elected during the same election procedure.
- (2) The chairperson and deputy chairpersons of the local council shall have the right to attend and speak at meetings of the local executive.

Section 19 – *Local council groups and support of their activities*

- (1) Local councillors may form local council groups for the purpose of conducting council business. A local council group may be established by even one individual councillor.
- (2) To improve the operational preconditions for local council groups, municipalities may provide financial support for their internal activities and for measures by which local council groups can promote opportunities for the residents of the municipality to participate and exert an influence. When granting support, the purpose of the support must be specified. The amount of support for each local council group must be notified in the municipality's financial statements.

Chapter 5 – Right of participation of municipality's residents

Section 20 – *Right to vote in local elections*

- (1) Citizens of Finland or of other European Union Member States or Iceland or Norway who are at least 18 years old on the day of the election and whose municipality of residence as referred to in the Municipality of Residence Act is the municipality in question, according to information held in the Population Information System at the end of the 51st day before the election day, have the right to vote in local elections held in the municipality. Other foreigners meeting the requirements laid down above shall also have the right to vote in local elections if, at the time referred to, they have had a municipality of residence in Finland for two years.
- (2) Persons employed by the European Union or by an international organisation operating in Finland, and the family members of such persons, who are at least 18 years old on the day of the election and whose place of residence is in the municipality in question, according to information held in the Population Information System at the end of the 51st day before the election day, also have the right to vote in local elections, provided that:
 - 1) the information about them has been deposited at their request in the Population Information System in the manner laid down in the Act on the Population Information System and the Certificate Services of the Population Register Centre;
 - 2) they have informed the Local Register Office in writing no later than the 52nd day before the election day, and before 4.00 pm, of their desire to exercise their right to vote in local elections, or have not cancelled in writing a notification which they provided earlier.

Section 21 – *Right to vote in local referenda*

- (1) The right to vote in a referendum held in a municipality shall be subject to the provisions of section 20 on the right to vote in local elections.
- (2) The right to vote in a local referendum concerning a sub-area of a municipality shall pertain only to persons whose place of residence is in that part of the municipality.

Section 22 – *Opportunities to participate and exert influence*

- (1) A municipality's residents and service users have the right to participate in and influence the activities of the municipality. Local councils must ensure that there are diverse and effective opportunities for participation.
- (2) Participation and exerting influence can be furthered especially by:
 - 1) arranging opportunities for discussion and for views to be presented, and setting up local resident panels;
 - 2) finding out residents' opinions before taking decisions;
 - 3) electing representatives of service users to municipal decision-making bodies;
 - 4) arranging opportunities to participate in the planning of the municipality's finances;
 - 5) planning and developing services together with service users;
 - 6) supporting independent planning and preparation of matters by residents, organisations and other corporate entities.

Section 23 – *Right of initiative*

- (1) The residents of a municipality and the corporate entities and foundations operating in the municipality have the right to submit initiatives on matters concerning the municipality's activities. Action undertaken as a result of an initiative must be notified to those who submitted the initiative.
- (2) If those submitting an initiative referred to in subsection 1 constitute at least two per cent of the municipality's residents, the matter must be considered within six months of it being initiated.
- (3) Service users also have the right to submit initiatives in matters concerning the municipal service in question.
- (4) At least once a year, the local council must be informed of all the initiatives submitted on matters within its purview and of the actions taken as a result.

Section 24 – *Local referenda*

- (1) Local councils may decide to hold a referendum on a matter concerning the municipality. No appeal is permitted against a local council decision to hold a local referendum.
- (2) Referenda shall be non-binding and indicative.
- (3) A referendum may be undertaken on a matter concerning all or a sub-area of the municipality. A sub-area of a municipality shall be one or more of the voting districts referred to in the Election Act.
- (4) All eligible voters have an equal right to vote. Voting shall be by secret ballot. Provisions on holding referenda are also laid down in the Act on the Procedure for Holding Municipal Consultative Referenda (656/1990).

Section 25 – *Referendum initiatives*

Residents constituting at least four per cent of those persons resident in the municipality who are at least 15 years old may submit a referendum initiative. The local council must decide without delay on whether to hold the referendum referred to in the initiative.

Section 26 – *Youth councils*

- (1) To secure the opportunity for young people to participate and exert an influence, the local executive must set up a youth council or similar group representing young people's views (*youth council*) and ensure the operational preconditions for it. A youth council can be shared by two or more municipalities.
- (2) Youth councils must be given the opportunity to influence the planning, preparation, execution and monitoring of the activities of the municipality's different areas of responsibility in matters of importance to the well-being, health, education, living environment, housing or mobility of the municipality's residents and also in other matters that the youth council considers to be significant for children and young people. Youth councils must be involved in the municipality's work to develop children's and young people's participation and the opportunities for their views to be presented.

- (3) Provisions on the participation of children and young people and on opportunities for their views to be presented are laid down in section 8 of the Youth Act (72/2006).

Section 27 – *Older people's councils*

- (1) To secure the opportunity for older people to participate and exert an influence, the local executive must set up an older people's council and ensure the operational preconditions for it. An older people's council can be shared by two or more municipalities.
- (2) The older people's council must be given the opportunity to influence the planning, preparation and monitoring of the activities of the municipality's different areas of responsibility in matters of importance to older people's well-being, health, inclusion, living environment, housing, mobility or coping with daily activities, or in terms of the services they need.

Section 28 – *Disability councils*

- (1) To secure the opportunity for people with disabilities to participate and exert an influence, the local executive must set up a disability council. A disability council can be shared by two or more municipalities. People with disabilities and their relatives and disability organisations must be adequately represented on the disability council. The local executive must ensure the operational preconditions for the disability council.
- (2) The disability council must be given the opportunity to influence the planning, preparation and monitoring of the activities of the municipality's different areas of responsibility in matters of importance to the well-being, health, inclusion, living environment, housing or mobility of people with disabilities or to their coping with daily activities, or in terms of the services they need.

Section 29 – *Communications*

- (1) Residents, service users, organisations and other corporate entities must be informed about the municipality's activities. The municipality must provide sufficient information on the services it arranges, the municipality's finances, matters under preparation in the municipality, plans concerning these, the processing of these matters, the decisions taken and their effects. Municipalities must provide information on how to participate in and influence the preparation of decisions.
- (2) Municipalities must ensure that the necessary information about preparatory work concerning matters for consideration by decision-making bodies is given out in a public information network once the meeting agenda is ready in order to satisfy the general need for information. In their online communications, municipalities must ensure that information which is required to be kept secret is not released in a public information network and that privacy protection is observed in handling personal data.
- (3) In communications, clear and comprehensible language must be used and the needs of the municipality's different groups of residents must be taken into account.

DECISION-MAKING BODIES AND MANAGEMENT

Chapter 6 – Municipal decision-making bodies

Section 30 – *Municipal decision-making bodies*

- (1) Each municipality must have a local council, a local executive and a local authority audit committee.
- (2) The local council may also establish:
 - 1) local authority committees to operate under the local executive, or, alternatively, standing committees for managing functions of a permanent nature;
 - 2) management boards for managing a municipally owned company or for a particular function;
 - 3) sub-committees for the local executive, for a local authority committee, for a standing committee or for a management board.
- (3) A commission may be set up by the local executive or, if so decided by the local council, by some other decision-making body in order to perform a specified task.
- (4) Bilingual municipalities shall set up a separate decision-making body for the administration of education for each language group, or a joint decision-making body divided into sub-committees for the language groups. The members of the decision-making body or sub-committee must be elected from among persons who are part of the language group in question.
- (5) Sub-committees of the local executive or of a local authority committee, standing committee or management board shall be subject to the provisions on the decision-making body under which they operate.

Section 31 – *Composition of decision-making bodies*

- (1) The local council may decide that:
 - 1) only local councillors and deputy councillors can be elected to the local executive or a local authority committee, in which case the local authority committee may be called a standing committee (*standing committee model*);
 - 2) those elected as chairpersons of local authority committees or standing committees shall be members of the local executive (*chairperson model*);
 - 3) all or some of the members of a management board shall be elected by a decision-making body other than the local council;
 - 4) all or some of the members of a management board shall be elected according to principles specified by the council on the basis of a proposal from the municipality's residents, its personnel or service users; and
 - 5) for a decision-making body other than that referred to in section 30(4) in a bilingual municipality, a sub-committee will be set up for each language group and the members of the sub-committee elected from among persons who are part of the language group in question.
- (2) A deputy member of a decision-making body may also be a member of a sub-committee. The local council may decide that persons other than members and deputy members of the

decision-making body can be elected as members of a sub-committee, but not as its chairperson.

- (3) Members of decision-making bodies shall have personal deputies elected for them, who shall be subject to the provisions concerning ordinary members.
- (4) Separate provisions shall be issued regarding equality between women and men in electing members of decision-making bodies.

Section 32 – *Term and election of members of decision-making bodies*

- (1) The members of decision-making bodies shall be elected for the term of the local council, unless the council has decided that their term will be shorter than that of the council or provisions hereafter state otherwise. When a decision-making body elects the members of a sub-committee, it shall also decide on the term of these members. A commission referred to in section 30(3) above shall be established for no longer than the term of the decision-making body setting it up.
- (2) The members of the local executive, local authority audit committee, other local authority committees and standing committees shall be elected at a June meeting of the local council.

Section 33 – *Chairperson and deputy chairpersons of decision-making bodies*

- (1) The local council, or other decision-making body responsible for the task, shall elect a chairperson and a necessary number of deputy chairpersons for the decision-making body from among those elected as members. The chairperson and deputy chairpersons shall be elected during the same election procedure, unless the local council has decided on the chairperson model.
- (2) The local council may decide whether its chairperson, the local executive's chairperson and deputy chairpersons, and the chairpersons of local authority committees and standing committees may serve as full-time or part-time elected officials.

Section 34 – *Removal of elected officials before the end of their term*

- (1) The local council may remove the elected officials it has elected to a decision-making body of the municipality or of a joint municipal authority or to a joint municipal decision-making body before the end of their term if all or some of them do not enjoy the confidence of the council. A removal decision shall apply to all the elected officials of the decision-making body.
- (2) The local council may remove the chairperson and deputy chairperson of the council and of decision-making bodies it has appointed before the end of their term if all or some of them do not enjoy the confidence of the council. A removal decision shall apply to the chairperson and deputy chairpersons together.
- (3) The local council may remove the mayor and deputy mayor before the end of their term if they do not enjoy the confidence of the council.
- (4) The matter shall be initiated at the proposal of the local executive or if at least a quarter of local councillors submit an initiative to this effect.

Section 35 – *Council ad hoc committees*

- (1) When a matter concerning the removal of elected officials as referred to in section 34 or the dismissal of the chief executive or his or her transfer to other duties as referred to in section 43 has been initiated, the local council may establish an ad hoc committee to perform the preparatory work on the matter. The members of an ad hoc committee must be local councillors or deputy councillors.
- (2) An ad hoc committee may also be established for the purpose of issuing an opinion or for the auditing of administration.
- (3) In matters that are subject to preparation by a council ad hoc committee, the ad hoc committee shall obtain an opinion from the local executive.

Section 36 – *Sub-area decision-making bodies*

- (1) The local council may establish sub-area local authority committees or sub-area management boards to further the opportunities of residents in a sub-area of a municipality to exert an influence. The local council may decide that all or some of the members of a sub-area decision-making body will be elected on the basis of a proposal by residents of the sub-area in question.
- (2) The function of a sub-area decision-making body is to influence the municipality's decision-making and to develop the sub-area. A sub-area decision-making body must be given the opportunity to provide a statement during the preparation of the municipal strategy and the budget and financial plan, and in matters in which the decision could have a significant impact on the living environment, employment or other circumstances of the municipality's residents and service users.
- (3) Provisions on the other duties and powers of sub-area decision-making bodies shall be given in the administrative regulations.

Chapter 7 – Local authority management and the local executive

Section 37 – *Municipal strategy*

- (1) Each municipality must have a municipal strategy in which the local council determines the long-term objectives for the municipality's activities and finances. The municipal strategy must take into account:
 - 1) advancement of the well-being of the municipality's residents;
 - 2) the arrangement and provision of services;
 - 3) the service objectives laid down in acts on the functions of municipalities;
 - 4) ownership policy;
 - 5) personnel policy;
 - 6) opportunities for the residents of the municipality to participate and exert an influence;
 - 7) development of the living environment and vitality of the area.
- (2) The municipal strategy must be based on an assessment of the municipality's current situation and of the future changes in the operating environment and the impact of these on the performance of the municipality's functions. The municipal strategy must also define the process of assessment and monitoring of the strategy's implementation.

- (3) Provisions on taking the municipal strategy into account in the preparation of the municipality's budget and financial plan are laid down in section 110. The municipal strategy shall be reviewed at least once during the term of the local council.

Section 38 – *Local authority management*

- (1) The municipality's activities shall be managed in accordance with the municipal strategy approved by the local council.
- (2) The local executive shall manage the municipality's activities, administration and finances.
- (3) The administration, financial management and other activities of a municipality shall be directed by a chief executive, who will operate subordinate to the local executive. The local council may decide that the municipality is to be led by a mayor instead of a chief executive.

Section 39 – *Duties of local executive*

The local executive must:

- 1) be responsible for the municipality's administration and financial management;
- 2) be responsible for the preparation and implementation of the local council's decisions and for overseeing the legality of these;
- 3) oversee the municipality's interests and, unless otherwise specified in the administrative regulations, represent the municipality and exercise its right to be heard;
- 4) represent the municipality as employer and be responsible for the municipality's personnel policy;
- 5) be responsible for coordinating the municipality's activities;
- 6) be responsible for ownership policy in regard to the municipality's activities;
- 7) see to the arrangement of the municipality's internal control and risk management.

Section 40 – *Chairperson of local executive*

The chairperson of the local executive shall manage the political collaboration required for the local executive's duties to be carried out. Provisions on the other duties of local executive chairpersons shall be given in the administrative regulations.

Section 41 – *Chief executive*

- (1) A chief executive shall be elected by the local council. A chief executive may be elected either for an indefinite or a fixed period and shall have a public-service employment relationship with the municipality.
- (2) If in the election of a chief executive, no-one receives more than half of the votes cast, a new election shall be held between the two candidates who received the most votes. In this election the candidate chosen will be the one receiving the most votes.
- (3) The chief executive is entitled to exercise the right to be heard on behalf of the local executive and to obtain information and view documents from municipal authorities, unless the provisions on secrecy require otherwise.

- (4) If a mayor is elected for the municipality or if at the start of a mayor's term the post of chief executive is occupied, the local council shall decide on transferring the chief executive to another public post or to a contractual employment relationship that is suitable for him or her. A fixed-term chief executive shall be transferred to another public post or to a contractual employment relationship for the remainder of the fixed term. A chief executive transferred to another public post or to a contractual employment relationship shall have the right to receive the benefits pertaining to it in a form that is not less advantageous than the benefits pertaining to the public post of chief executive.

Section 42 – *Management contract*

- (1) The municipality and chief executive must conclude a management contract in which the requirements for managing the municipality are agreed.
- (2) The management contract may include provisions on the division of responsibilities between the chief executive and the chairperson of the local executive in managing the municipality, taking into account what is provided in the administrative regulations.
- (3) The management contract may include provisions on the procedure by which disputes concerning management of the post of chief executive are to be resolved in place of the procedure laid down in section 43. The management contract may include agreement on severance compensation payable to the chief executive, in which case the contract shall be subject to the approval of the local council.

Section 43 – *Dismissal of chief executive or transfer to other duties*

- (1) A local council may dismiss the chief executive or transfer him or her to other duties if the chief executive no longer enjoys the confidence of the council.
- (2) The matter shall be initiated at the proposal of the local executive or if at least a quarter of local councillors submit an initiative to this effect. When the matter is being prepared, the chief executive must be notified of the basis for the loss of confidence and must be given an opportunity to be heard.
- (3) For the decision referred to in subsection 1 above to be taken, it must be supported by two thirds of all the local councillors. The decision can be put into effect immediately. The chief executive can be relieved of his or her duties at the same time.

Section 44 – *Mayor*

- (1) A mayor shall be an elected official of the municipality and shall serve as chairperson of the local executive.
- (2) A mayor shall be elected by the local council. Persons who are not eligible for election to the local executive or a local authority committee may nevertheless be elected mayor. The local council may decide that the mayor has to be a local councillor of the municipality in question. Persons elected mayor do not forfeit their eligibility for election to the local council.
- (3) A mayor may be elected for no more than the term of the local council, and the mayor's term shall continue until a new mayor or a chief executive is elected.

- (4) The election of a mayor shall be held before the election of the local executive. If in the election no-one receives more than half of the votes cast, a new election shall be held between the two candidates who received the most votes. In this election the candidate chosen will be the one receiving the most votes.
- (5) The mayor is entitled to exercise the right to be heard on behalf of the local executive and to obtain information and view documents from municipal authorities, unless the provisions on secrecy require otherwise.

Section 45 – *Deputy mayor*

- (1) In addition to a mayor, a municipality may have deputy mayors. A deputy mayor is an elected official whose election, eligibility for election and term are subject to the provisions of section 44(2–3) concerning mayors.
- (2) The duties of deputy mayor shall be specified in the municipality's administrative regulations. The election for a deputy mayor operating as chairperson of a local authority committee shall be held before the election of the local authority committee.

Section 46 – *Ownership policy*

- (1) Ownership policy refers to the measures with which the municipality as owner or as member municipality contributes to the administration and operation of companies and other corporate entities.
- (2) The measures may be connected with matters such as memorandums of association, provisions of articles of association, other agreements, personal appointments, issuing of instructions to persons representing the municipality in different corporate entities, and other aspects of exercising the municipality's control.

Section 47 – *Activities of local authority subsidiaries and corporate governance principles applying to local authority corporation*

- (1) Ownership policy is used to ensure that the operation of local authority subsidiaries takes into account the overall interests of the local authority corporation.
- (2) The composition of the board of directors of a local authority subsidiary must take into consideration the financial and business expertise required for the sector in which the corporate entity is operating.
- (3) The corporate governance principles applying to the local authority corporation shall apply to the ownership policy for local authority subsidiaries and, as applicable, for associated entities.
- (4) The corporate governance principles applying to the local authority corporation shall include necessary provisions on at least the following:
 - 1) the planning and control of the local authority corporation's finances and investments;
 - 2) the arrangement of oversight of the local authority corporation and of reporting and risk management;
 - 3) provision of information and securing the right to information of elected officials of the municipality;

- 4) the obligation to obtain the views of the municipality in a matter prior to decision-making;
- 5) the internal services of the local authority corporation;
- 6) the composition and designation of local authority subsidiaries' boards of directors;
- 7) good administrative and management practices for local authority subsidiaries.

Section 48 – *Local authority corporation management*

- (1) The local authority corporation management shall comprise the local executive, the chief executive or the mayor, and other municipal authorities specified in the administrative regulations. The administrative regulations shall include provisions on the duties of the local authority corporation's management and on the division of powers.
- (2) The local authority corporation management shall be responsible for implementing ownership policy in the local authority corporation and for arranging oversight of the local authority corporation, unless otherwise specified in the administrative regulations.

Chapter 8 – Cooperation between municipalities

Section 49 – *Forms of cooperation*

- (1) Municipalities and joint municipal authorities may perform functions jointly by making an agreement to this effect.
- (2) Forms of intermunicipal cooperation governed by public law are joint decision-making bodies, joint public posts, agreements on managing official duties, and joint municipal authorities.
- (3) Forms of cooperation between joint municipal authorities governed by public law are joint public posts, agreements on managing official duties, and business-based joint municipal authorities.

Section 50 – *Relationship between cooperation and Act on Public Contracts*

- (1) If a municipality agrees, in accordance with section 8, on the transfer to another municipality or a joint municipal authority of the service arranging responsibility for a function prescribed for municipalities by law, the Act on Public Contracts (348/2007) will not apply.
- (2) Neither the Act on Public Contracts nor the Act on Public Contracts by Contracting Authorities in the Water, Energy, Transport and Postal Services Sectors (349/2007) shall apply to cooperation between municipalities if this cooperation concerns procurement by a municipality or joint municipal authority, in the manner referred to in section 10 of the Act on Public Contracts, from an affiliated unit of its own, from an affiliated enterprise or joint enterprise referred to in section 19 of the Act on Public Contracts by Contracting Authorities in the Water, Energy, Transport and Postal Services sectors, or if the cooperation is not otherwise subject to the aforementioned acts.

Section 51 – *Joint decision-making bodies*

- (1) A municipality may carry out a function on behalf of one or more municipalities, and these municipalities shall have a joint decision-making body responsible for managing the function. The municipality carrying out the function is referred to as the host municipality.
- (2) The municipalities may agree that the non-host municipalities will elect a proportion of the members of the joint decision-making body. In the case of statutory joint responsibility, each municipality shall have at least one member elected by it in the decision-making body.

Section 52 – *Agreement on joint decision-making body*

- (1) An agreement on a joint decision-making body must cover at least the following:
 - 1) the functions of the joint decision-making body and if necessary the transfer of service arranging responsibility referred to in section 8;
 - 2) the composition of the joint decision-making body and the right of the non-host municipalities to elect members to the decision-making body;
 - 3) the cost principles and division of costs;
 - 4) the validity period and termination of the agreement.
- (2) The agreement may also state that the host municipality's local executive is not entitled to take up a matter for consideration that is for the decision of the joint decision-making body.

Section 53 – *Joint public posts*

- (1) Municipalities and joint municipal authorities may establish joint public posts by taking corresponding decisions to this effect.
- (2) The holder of the joint public post shall have a public-service employment relationship with all the municipalities and joint municipal authorities in question.
- (3) The municipalities and joint municipal authorities in the arrangement must agree on at least which municipality or joint municipal authority is to be responsible for seeing to the employer's obligations and on the cost principles and division of costs.

Section 54 – *Agreement on managing official duties*

- (1) A function allotted by law to municipalities, joint municipal authorities or a municipal authority in which power can be delegated to a local government officer can, by agreement, be assigned to a local government officer in another municipality or joint municipal authority for him or her to manage subject to liability for acts in office.
- (2) The agreement must include the necessary provisions on at least the function's content, monitoring the performance of the function, the cost principles and division of costs, and the validity period and termination of the agreement.

Section 55 – *Joint municipal authorities*

- (1) A joint municipal authority shall be established by an agreement (*charter*) between the municipalities concerned that has been approved by their local councils. The official Finnish and Swedish names of the joint municipal authority must include the words 'kuntayhtymä' and 'samkommun', respectively (meaning 'joint municipal authority').

- (2) A joint municipal authority is a legal person that can acquire rights and make commitments and can exercise the right to be heard in courts of law and by other public authorities.
- (3) Provisions on business-based joint municipal authorities are laid down in section 65. Business-based joint municipal authorities are subject to the provisions concerning joint municipal authorities.

Section 56 – *Charter of joint municipal authority*

- (1) A charter must include agreement on at least the following:
 - 1) the joint municipal authority's name, domicile and member local authorities;
 - 2) the functions of the joint municipal authority and if necessary the transfer of service arranging responsibility referred to in section 8;
 - 3) the number of representatives in the authority's general assembly or members of the joint municipal authority council or other decision-making body exercising the highest power of decision, and the basis for voting rights;
 - 4) the other decision-making bodies of the joint municipal authority, and their functions, power of decision and method by which they are convened;
 - 5) which joint municipal authority decision-making body will oversee the interests of the joint municipal authority, represent it and enter into agreements on its behalf, and the manner in which the right to sign for the joint municipal authority will be decided;
 - 6) the member municipalities' share of the joint municipal authority's assets and responsibility for its debts, and other matters concerning the finances of the joint municipal authority;
 - 7) the auditing of the joint municipal authority's administration and finances;
 - 8) the position of any member municipality resigning from the joint municipal authority and of the member municipalities continuing to operate;
 - 9) how the joint municipal authority would be dissolved and its affairs wound up;
 - 10) the procedure by which a deficit of the joint municipal authority would be covered in a situation where the member local authorities have not approved an agreement under section 119(2) on balancing the joint municipal authority's finances;
 - 11) the system for monitoring the finances and activities, and reporting to the member local authorities.
- (2) A charter can also include agreement that members and deputy members of a joint municipal authority's decision-making bodies other than its general assembly have to be local councillors of the member municipalities, and that a qualified majority is required for taking decisions in certain matters specified in the charter.

Section 57 – *Amending a charter*

- (1) Unless otherwise agreed in the charter, a charter may be amended if this is supported by at least two thirds of the member municipalities and their population total represents at least half of the combined population of all the member municipalities.

- (2) In the case of statutory joint responsibility, a member local authority cannot, however, be required to take part in performing new, optional functions or to contribute to the costs incurred in these functions, without its consent.

Section 58 – *Decision-making bodies of joint municipal authorities*

- (1) A joint municipal authority's power of decision shall be exercised by the joint municipal authority council or the general assembly. In a joint municipal authority with a single decision-making body as referred to in section 61 below, the power of decision is divided between the member municipalities and the joint municipal authority's decision-making body in the manner agreed in the charter.
- (2) A joint municipal authority can also have other decision-making bodies agreed in the charter.
- (3) The composition of a joint municipal authority's decision-making bodies other than those referred to in subsection 1 must be adjusted to correspond to the proportion of votes received within the joint municipal authority's area in local elections by the different groups represented on the local councils of member municipalities, in accordance with the proportionality principle laid down in the Election Act.

Section 59 – *Joint municipal authority council*

- (1) Joint municipal authority councils shall be subject to the provisions laid down on local councils.
- (2) The members of a joint municipal authority council shall be elected by the municipalities in the manner agreed in the charter.

Section 60 – *General assembly*

- (1) If a joint municipal authority's power of decision is exercised by a general assembly, the assembly must convene at least twice a year.
- (2) Each member municipality's local executive or other decision-making body of the member municipality as decided by its local council shall elect a general assembly representative separately for each meeting.
- (3) The general assembly's duties shall include at least the following:
 - 1) decide on the budget and financial plan of the joint municipal authority;
 - 2) approve the administrative regulations of the joint municipal authority;
 - 3) elect the decision-making bodies of the joint municipal authority;
 - 4) determine the principles concerning the financial benefits of elected officials;
 - 5) appoint the auditors;
 - 6) decide on approving the financial statements and granting discharge from liability.
- (4) Public access to the general assembly shall be subject to the provisions of section 101 on the openness of local council meetings. The provisions of section 97 on the disqualification of local councillors shall apply to the disqualification of general assembly representatives.

Section 61 – *Joint municipal authority with a single decision-making body*

- (1) In cooperation other than statutory joint responsibility, municipalities may decide that the joint municipal authority shall have only one decision-making body. The power of decision in the joint municipal authority will then be divided between the member local authorities and the decision-making body of the joint municipal authority in the manner agreed in the charter. The decision-making body shall be responsible for the joint municipal authority's activities, administration and financial management.
- (2) In a joint municipal authority with a single decision-making body, the member local authorities must do at least the following:
 - 1) elect members to the decision-making body referred to in subsection 1;
 - 2) elect the members of the local authority audit committee and appoint a firm of authorised public accountants;
 - 3) decide on discharge from liability as agreed in the charter.
- (3) The charter concerning a joint municipal authority with a single decision-making body must include agreement as referred to in section 56 and agreement on how the joint municipal authority's decision-making is to be arranged in situations where the member local authorities have not made corresponding decisions in a matter pertaining to the member local authorities' power of decision.

Section 62 – *Withdrawal from a joint municipal authority*

Member municipalities can withdraw from a joint municipal authority. Unless otherwise agreed in the charter, withdrawal shall take place at the end of the calendar year, and the member municipality shall submit the withdrawal notification at least one year before this.

Section 63 – *Resolution of disputes arising from an agreement*

Disputes arising from a cooperation agreement shall be resolved as administrative disputes in an administrative court as provided in the Administrative Judicial Procedure Act (586/1996).

Section 64 – *Application of provisions on municipalities in a joint municipal authority*

- (1) Joint municipal authorities shall be subject to the provisions on municipalities laid down in sections 2, 6, 7, 10, 14, 18, 19, 22, 23 and 29, in Chapter 6, in sections 39, 40, 46, 47 and 48, and in Chapters 9–16.
- (2) The provisions of section 10(2) do not apply to statutory joint responsibility among municipalities.
- (3) The provisions of section 34 on local councils shall apply to joint municipal authority councils and general assemblies. In a joint municipal authority with no joint municipal authority council, matters shall be initiated on the basis of a proposal by the local executive of the joint municipal authority or by a member municipality.
- (4) The dismissal or transfer to other duties of a senior local government officer in a joint municipal authority shall be subject to the provisions of section 43 on chief executives. For a decision to be valid, it must be supported by two thirds of the combined maximum number of votes of the member municipalities as set out in the charter.

- (5) Management contracts made between a joint municipal authority and senior local government officers in the joint municipal authority shall be subject to the provisions of section 42 on management contracts. The management contract may include provisions on the procedure by which disputes concerning management of the post of senior local government officer in the joint municipal authority are to be resolved in place of the procedure laid down in section 43. The management contract may include agreement on severance compensation payable to the senior local government officer, in which case the contract shall be subject to the approval of the decision-making body exercising the highest power of decision in the joint municipal authority.

Chapter 9 – Municipally owned companies

Section 65 – *Municipally owned companies and their functions*

- (1) A municipally owned company can be established by a municipality or a joint municipal authority for the purpose of conducting a task to be managed in accordance with business principles, unless otherwise provided hereafter. A municipally owned company shall operate as part of the municipality or joint municipal authority. Establishing a municipally owned company requires a separately made decision.
- (2) A municipally owned company established by a municipality shall be called a municipal company and a municipally owned company established by a joint municipal authority shall be called a joint municipal company. The company's official Finnish and Swedish names must include the words 'liikelaitos' and 'affärsverk', respectively (meaning '(municipally owned) company'). A joint municipal authority established jointly by municipalities and joint municipal authorities for the purpose of maintaining a municipally owned company shall be called a business-based joint municipal authority. The official Finnish and Swedish names of such a company must include the words 'liikelaitoskuntayhtymä' and 'affärsverkssamkommun', respectively (meaning 'business-based joint municipal authority').
- (3) The names municipal company, joint municipal company and business-based joint municipal authority can be used only by municipally owned companies that are established as companies in accordance with this Act.
- (4) The functions of a municipal or joint municipal company shall be specified in the administrative regulations. The functions of a business-based joint municipal authority must be agreed in its charter. If the members of a business-based joint municipal authority include a joint municipal authority, the charter of the business-based joint municipal authority must include agreement on how amendments would be made to the charter. Business-based joint municipal authorities shall be subject to the provisions on joint municipal authorities in this Act, unless otherwise laid down in this Chapter.

Section 66 – *General assembly of a business-based joint municipal authority*

- (1) The power of decision of a business-based joint municipal authority shall be exercised by a general assembly. The general assembly representative of a joint municipal authority that is a

member of a business-based joint municipal authority shall be elected by the joint municipal authority's decision-making body referred to in section 56(1)(5).

- (2) The general assembly's duties shall be subject to the provisions of sections 60(3)(1–2) and 60(3)(4–6) on general assembly duties. The duties of the business-based joint municipal authority's general assembly shall also include electing the authority's management board, local authority audit committee and other decision-making bodies whose election has not been transferred to a management board in the administrative regulations.

Section 67 – *Management board*

- (1) A municipally owned company shall have a management board.
- (2) The management board shall guide and oversee the activities of the company. The management board shall be responsible for appropriately arranging the company's administration and operations and internal control and risk management.
- (3) The management board shall:
 - 1) decide on the development of the municipally owned company's operations within the limits of the operating and financial targets set by the local council or the general assembly, and monitor and report on the achievement of these targets;
 - 2) approve the municipally owned company's budget and financial plan by the end of the year in accordance with the binding targets and the expenditure and income items set by the local council or the general assembly;
 - 3) draw up financial statements for the municipally owned company;
 - 4) appoint and dismiss the municipally owned company's director, unless otherwise specified in the administrative regulations;
 - 5) decide on the municipally owned company's capital expenditure and other long-term expenditures, unless otherwise specified in the administrative regulations;
 - 6) decide who is authorised to sign on behalf of the municipally owned company;
 - 7) oversee the municipally owned company's interests and, unless otherwise specified in the administrative regulations, represent the municipality and exercise its right to be heard within the company's area of responsibility.
- (4) Other duties of the management board shall be specified in the administrative regulations.
- (5) The duties of the management board of a business-based joint municipal authority shall be subject to the provisions concerning the local executive of a joint municipal authority under section 64. Matters of a business-based joint municipal authority other than those dealt with by its general assembly shall be decided by the management board, unless the matter is dealt with by the director under section 68 or unless powers have been delegated to the director or another public authority.
- (6) The provisions of section 58(3) shall not apply to the composition of management boards of municipally owned companies.

Section 68 – *Director*

- (1) A municipally owned company shall have a director, who shall be in a public-service employment relationship with the municipality or joint municipal authority. The director shall manage and develop the operations of the company in a role subordinate to the management board.
- (2) The director is entitled to exercise the power of decision on behalf of the management board, unless otherwise specified in the administrative regulations.

PART IV ELECTED OFFICIALS AND PERSONNEL

Chapter 10 – Elected officials

Section 69 – *Municipality's elected officials*

- (1) The elected officials of a municipality are its local councillors and deputy councillors, the members elected to municipal decision-making bodies, the members elected by the municipality to decision-making bodies of joint municipal authorities, and other persons elected to positions of trust in the municipality. However, where local government officers and employees of a municipality are elected as members of a municipal decision-making body on the basis of their duties, they shall not be considered elected officials of the municipality.
- (2) Elected officials must promote the interests of the municipality and its residents and act with dignity in their position of trust in a manner befitting the task.
- (3) The provisions concerning a municipality's elected officials shall apply to anyone elected by the municipality to a central government position of trust.

Section 70 – *Consent to and resignation from a position of trust*

- (1) Only persons who have consented to take up the position may be elected to a position of trust. Only persons who have submitted written consent to take up the position of local councillor may be proposed as candidates for election to the local council.
- (2) Elected officials and persons standing as candidates for a position of trust other than that of local councillor must, at the request of the council or relevant decision-making body, present information on factors that may be of significance in assessing their eligibility for election.
- (3) A resignation from a position of trust may be made if there is a valid reason. The decision-making body that elected the official shall decide whether to accept the resignation. The local council shall decide whether to accept the resignation of local councillors and deputy councillors.

Section 71 – *General eligibility for election*

Persons eligible for election to a position of trust in a municipality are those:

- 1) whose municipality of residence is the municipality in question;

- 2) who, in the year when local councillors are being elected or when an election is being held for some other position of trust, have the right to vote in local elections in one of the municipalities; and
- 3) who have not been declared legally incompetent.

Section 72 – Eligibility for election to local council

- (1) The following are not eligible for election to a local council:
 - 1) public servants in central government who perform supervisory tasks concerned directly with local government administration;
 - 2) persons employed by the municipality who are in a senior position within an area of responsibility of the local executive or of a local authority committee, or in a comparable position of responsibility;
 - 3) persons employed by a corporate entity or foundation under the control of the municipality who, in terms of their position, are comparable to persons employed by the municipality as referred to in paragraph 2;
 - 4) in the case of local councils of member municipalities of a joint municipal authority, persons employed by the joint municipal authority who, in terms of their position, are comparable to persons employed by the municipality as referred to in paragraph 2.
- (2) Persons in the employment relationships referred to above are eligible for election as local councillors if this employment relationship ends before the local councillors' term begins.

Section 73 – Eligibility for election to local executive

- (1) Persons eligible for election to the local executive shall be those who are eligible for election to the local council, though with the exception of:
 - 1) persons employed by the municipality who are directly subordinate to the local executive;
 - 2) persons employed by a corporate entity or foundation under the control of the municipality who operate within the area of responsibility of the local executive;
 - 3) persons employed by the municipality who, as presenting officer for a local authority committee or otherwise, are responsible for preparatory work on matters considered by the local executive;
 - 4) persons who are members of the board of directors or of a comparable decision-making body, or in a position of leadership or responsibility or a comparable position, in a corporate entity engaged in business activities or a foundation if decisions on matters normally dealt with by the local executive could well cause this entity substantial advantage or disadvantage.
- (2) The chairperson of the board of directors or of a comparable decision-making body of a corporate entity that oversees personnel interests in the municipality concerned shall not be eligible for election to the local executive. Neither are persons eligible for election if, as negotiators for a corporate entity or in some other equivalent capacity, they are responsible for overseeing interests.
- (3) A majority of the members of a local executive must be persons other than employees of the municipality or of a corporate entity or foundation under the control of the municipality.

- (4) Subsection 1(4) above does not apply to members of the board of directors, or of a comparable decision-making body, of a corporate entity under the control of the municipality.

Section 74 – Eligibility for election to other decision-making bodies

- (1) Persons eligible for election to a local authority committee or standing committee shall be those who are eligible for election to a local council, though with the exception of:
 - 1) persons employed by the municipality who are subordinate to the local authority committee or standing committee in question;
 - 2) persons employed by a corporate entity or foundation which is under the control of the municipality and operates within the area of responsibility of the local authority committee or standing committee in question;
 - 3) persons who are members of the board of directors or of a comparable decision-making body, or in a position of leadership or responsibility or a comparable position, in a corporate entity engaged in business activities if decisions on matters normally dealt with by the local authority committee in question could well cause this entity substantial advantage or disadvantage.
- (2) The provisions of section 73(2) shall apply to decision-making bodies that principally manage personnel matters.
- (3) Persons who are not eligible for election to the local executive or a local authority committee, or whose municipality of residence is not the municipality in question may nevertheless be elected to a management board or a commission.

Section 75 – Eligibility for election to local authority audit committee

The following are not eligible for election to the local authority audit committee:

- 1) members of the local executive;
- 2) mayor and deputy mayors;
- 3) near relatives, or other comparable persons, as referred to in section 28(2–3) of the Administrative Procedure Act (434/2003) concerning the grounds for disqualification, of a local executive member, the chief executive, the mayor or a deputy mayor;
- 4) persons employed by the municipality or by a corporate entity or foundation under the of the municipality;
- 5) persons who are not eligible for election to the local executive.

Section 76 – Eligibility for election to decision-making bodies of joint municipal authorities

- (1) Persons eligible for election to decision-making bodies of joint municipal authorities shall be those who, under section 71, are eligible for election to a position of trust in a member municipality of the joint municipal authority. However, persons referred to in section 72(1)(1) and persons in an employment relationship in the same joint municipal authority shall not be eligible for election.
- (2) Furthermore, persons who are members of the board of directors or of a comparable decision-making body, or in a position of leadership or responsibility or a comparable position, in a corporate entity engaged in business activities or a foundation shall not be eligible for election

as members of other decision-making bodies than those referred to in section 58(1) if decisions on matters normally dealt with by the decision-making body could well cause this entity substantial advantage or disadvantage.

- (3) However, persons who are not eligible for election to the joint municipal authority's other decision-making bodies or whose municipality of residence is not a member municipality of the joint municipal authority may be elected to a management board or a commission.

Section 77 – Eligibility for election to joint municipal decision-making bodies

The members of a joint municipal decision-making body, on which provisions are laid down in section 51, may be persons eligible for election to the corresponding decision-making body in the other municipalities concerned.

Section 78 – Forfeiting eligibility for election

- (1) If an elected official forfeits his or her eligibility for election, the decision-making body that elected the official shall declare the position of trust to be terminated. In the case of local councillors, the decision shall be made by the local council. The decision shall take effect immediately.
- (2) If an elected official is engaged temporarily for not more than six months in an employment relationship referred to in sections 72–76, the official will not forfeit his or her eligibility for election to a decision-making body. However, he or she may not attend to a position of trust for the duration of the employment relationship.

Section 79 – Holding a position of trust

- (1) Elected officials shall remain in their positions of trust for the period for which they were elected, and thereafter until another person is elected to the position. If a position of trust falls vacant before the end of the term, a new elected official must be appointed for the rest of the term.
- (2) An elected official chosen for a position of trust must continue attending to this position until the matter has been finally resolved if:
 - 1) an appeal is made concerning the election of the official;
 - 2) a resignation has not been accepted; or
 - 3) the local executive, by virtue of section 96, has not put the local council's election decision into effect.

Section 80 – Position of full-time and part-time elected officials

- (1) Persons who have consented to take up the position may be elected to a full-time or part-time position of trust.
- (2) Full-time elected officials are entitled to leave of absence from their jobs for the duration of the full-time position of trust. If the full-time position of trust ends prematurely on account of forfeiture of eligibility for election or due to resignation, the person shall be entitled to

discontinue the leave of absence by notifying his or her employer of this at least one month prior to returning to work.

- (3) In the case of leave of absence required in order to attend to a part-time position of trust, the elected official must agree this with his or her employer. Unless there is an important work-related reason, the employer may not refuse to grant leave of absence for attending to a part-time position of trust. The employer must, on request, provide a written explanation of the reasons for refusal.
- (4) The local council shall decide on the monthly pay and remuneration of full-time and part-time elected officials. Full-time and part-time elected officials have the right to annual leave, sick leave and family leave, as well as occupational health care services, on the same basis as local government officers. The provisions of the Employment Accidents Act (608/1948) concerning the employer and the employee shall apply correspondingly to municipalities, to both full-time and part-time elected officials.

Section 81 – *Right of elected officials to leave of absence to attend to position of trust*

- (1) A municipality's elected officials are entitled to leave of absence to attend meetings of a municipal decision-making body. The employer may, however, refuse to grant leave of absence if the information about the necessary leave of absence was not provided to the employer at least 14 days prior to the meeting date and the employer has an important work-related reason for the refusal.
- (2) In the case of leave of absence required in order to attend to a position of trust specified by the municipality other than that referred to in subsection 1, or in order to participate in a local council group meeting, the elected official must agree this with his or her employer.
- (3) Elected officials must notify their employer of the meeting dates of the decision-making body and local council group, and of positions of trust specified by the municipality as soon as they become aware of them. The employer must, on request, provide a written explanation of the reasons for refusal.

Section 82 – *Fees and compensation*

- (1) Elected officials shall be paid:
 - 1) meeting fees;
 - 2) compensation for loss of earnings and for costs incurred in engaging a substitute, arranging child care or for other similar reasons arising from the position of trust;
 - 3) compensation for travel costs and a per diem allowance.
- (2) Elected officials may also be paid a fee for a fixed period and other separate fees.
- (3) On the basis of authorisation received from an elected official, the municipality may collect the elected officials charge referred to in section 31(1)(5) of the Income Tax Act (1535/1992) from the fees paid to the official, and then disburse this to the party or party association. The sum of these charges collected must be notified in the municipality's financial statements.

Section 83 – *Right to information*

- (1) Elected officials have the right to obtain information from municipal authorities where they consider this information necessary for their work and it has not yet entered the public domain under sections 6 and 7 of the Act on the Openness of Government Activities (621/1999), unless the provisions on secrecy require otherwise.
- (2) Elected officials have the right to obtain from the municipality's local authority corporation management information that has been entrusted to it concerning the activities of local authority subsidiaries, unless the provisions on secrecy require otherwise.

Section 84 – *Declaration of private interests*

- (1) A municipality's elected officials and local government officers referred to in subsection 2 of this section must submit a declaration of private interests concerning their managerial duties and positions of trust in enterprises engaged in business activities and in other corporate entities, about their significant assets and about other private interests that could be of significance in attending to a position of trust or in public posts.
- (2) The obligation to declare private interests applies to members of the local executive and of decision-making bodies managing tasks referred to in the Land Use and Building Act (132/1999), chairpersons and deputy chairpersons of the local council and of local authority committees, the chief executive, the mayor and deputy mayor, and presenting officers for the local executive and for local authority committees. The declaration must be made within two months of the person being elected to his or her position. He or she must also declare without delay any changes that occur regarding private interests.
- (3) Declarations of private interests shall be submitted to the local authority audit committee, which shall oversee compliance with the obligation to declare and shall forward the declarations to the local council for its information. The local authority audit committee may, if necessary, urge persons who are obliged to declare to submit a new declaration or to augment the information in a declaration already made.
- (4) Municipalities must maintain a register of private interests in a public information network, unless the provisions on secrecy require otherwise. When the position of trust or the task to which the obligation to declare relates comes to an end, the information about the person must be removed from the register and from the information network.

Section 85 – *Wrongful acts in a position of trust*

- (1) When performing their duties, elected officials are subject to liability for acts in office and are subject to the provisions of the Criminal Code (39/1889) concerning offences in office.
- (2) If there is probable cause to suspect that an elected official has, in a position of trust, committed an offence in office or otherwise acted contrary to his or her obligations, the local executive must demand an explanation from the party concerned and, if necessary, notify the local council of the matter. If an offence in office has manifestly been committed, a report of an offence shall be completed without delay.

- (3) The local council may suspend an elected official for the duration of the investigation or legal proceedings. Before the local council meets, the council's chairperson may make an interim decision concerning suspension. A suspension decision may be put into effect immediately.

Section 86 – *Criminal acts outside a position of trust*

- (1) If an elected official is charged with a crime where the nature of the crime or the way in which it was perpetrated suggest that the official cannot attend to his or her position of trust in the required manner, the local council may suspend the elected official for the duration of the legal proceedings. A suspension decision may be put into effect immediately.
- (2) If an elected official is sentenced to at least six months in prison under a legally valid judgement after being elected, the local council may remove him or her from the position of trust. The decision shall take effect immediately.

Chapter 11 – Personnel

Section 87 – *Municipal personnel*

- (1) The personnel employed by municipalities shall have a public-service employment relationship or a contractual employment relationship with the municipality. Separate provisions are laid down on public-service employment relationships and on contractual employment relationships.
- (2) Tasks in which public authority is exercised shall be performed in a public-service employment relationship. Public posts shall be established for these types of task. However, if there is a justifiable reason, a person may be engaged in a public-service employment relationship for such a task without a public post being established for this.

Section 88 – *Establishing and discontinuing public posts*

- (1) The establishment or discontinuation of public posts shall be decided by the local council or by some other municipal decision-making body specified in the administrative regulations.
- (2) If a public post in which public authority is not exercised becomes vacant, it shall be discontinued.

Section 89 – *Conversion of a public-service employment relationship into a contractual employment relationship*

The employer can decide to convert a public-service employment relationship into a contractual employment relationship if the duties of the public post do not involve the exercise of public authority and the employer has offered the local government officer work in a contractual employment relationship under at least the previous employment relationship terms and conditions and has provided the local government officer with a written explanation of the main terms and conditions of work as referred to in section 4 of Chapter 2 of the Employment Contracts Act (55/2001). Once the decision is legally valid, the public-service employment

relationship will become a contractual employment relationship in accordance with the employer's offer as referred to in this section.

PART V ADMINISTRATION

Chapter 12 – Decision-making and administrative procedure

Section 90 – *Administrative regulations*

- (1) The administrative regulations shall contain the necessary stipulations on at least:
 - 1) the following matters concerning the arrangement of administration and activities:
 - a) decision-making bodies and management;
 - b) duties of chairperson of the local executive;
 - c) the personnel organisation;
 - d) financial management;
 - e) auditing of administration and finances;
 - f) internal control and risk management;
 - 2) the following matters concerning decision-making and administrative procedure:
 - a) delegation of powers;
 - b) convening of decision-making bodies;
 - c) calling in deputy members;
 - d) duties of chairpersons of decision-making bodies;
 - e) temporary chairpersons of meetings;
 - f) presence of local executive representative and chief executive or mayor and their right to speak at meetings of other decision-making bodies;
 - g) presence of persons other than members at meetings of decision-making bodies and their right to speak;
 - h) decision-making methods of decision-making bodies and how municipalities can ensure that the technical equipment and connections necessary for participation in electronic meetings and in electronic decision-making procedure are available;
 - i) presentation procedure;
 - j) drafting, examining and giving notification of records of proceedings and decisions;
 - k) signing of documents;
 - l) arranging document management;
 - m) payments collected for documents or provision of information;
 - n) handling of initiatives referred to in section 23 and the information to be given to those who submitted the initiative;
 - o) principles of communication;
 - p) procedure when a matter is taken for consideration by a higher decision-making body;
 - 3) the following matters concerning the activities of the local council:
 - a) local council meeting procedure;

- b) calling in a deputy councillor to replace a local councillor;
 - c) handling initiatives from local councillors;
 - d) local council groups formed for local councillors to conduct council business;
 - e) participating in meetings and sending invitations to meetings by electronic means;
 - f) the length of time a local councillor may speak on individual matters if this is necessary to ensure the progress of meetings.
- (2) The administrative regulations shall contain the necessary provisions to ensure that the linguistic rights provided in the Language Act (423/2003) and elsewhere in the law are in place in the municipality's administration.

Section 91 – *Delegation of powers*

- (1) Local councils may, in their administrative regulations, delegate powers to other municipal decision-making bodies and to elected officials and local government officers. However, powers may not be delegated in matters on which the local council is required to take a decision under a specific provision of this Act or elsewhere in the law.
- (2) Local councils may, in their administrative regulations, grant to another authority of the municipality as referred to in subsection 1 the right to further transfer powers delegated to it. Powers delegated in this way may not be further delegated.
- (3) Powers in matters involving the use of administrative enforcement may be delegated only to one of the decision-making bodies.

Section 92 – *Taking matters for consideration by a higher decision-making body*

- (1) The local executive, the chairperson of the local executive, the chief executive and any local government officers specified in the administrative regulations may take for consideration by the local executive any matters that have been transferred under this Act to the jurisdiction of an authority subordinate to the local executive or of a sub-committee of the local executive and on which the authority in question has made a decision.
- (2) The administrative regulations may specify that the right referred to in subsection 1 shall apply correspondingly to local authority committees, their chairpersons and any local government officers specified in the administrative regulations in matters transferred to the jurisdiction of an authority subordinate to the relevant local authority committee or of a sub-committee of the local authority committee, unless the local executive, the chairperson of the local executive, the chief executive or a local government officer specified in the administrative regulations referred to in subsection 1 has stated that the matter is to be taken for consideration by the local executive.
- (3) The administrative regulations may stipulate that a management board of a municipally owned company, its chairperson or a local government officer can take for consideration by the company's management board a matter that has been transferred under this Act to the jurisdiction of an authority subordinate to the company's management board and on which the authority in question has made a decision. A matter cannot therefore be taken for consideration by a local authority committee to which the company's management board is subordinate. If it

has been decided to take the matter for consideration by both the company's management board and the local executive, the matter shall be considered by the local executive.

- (4) Matters must be taken for consideration by a higher decision-making body by the deadline within which a claim for a revised decision referred to in section 134 is required to be made.
- (5) The following may not, however, be taken for consideration by a higher decision-making body:
 - 1) matters concerning permit, notification, supervision or performance procedures laid down in an act or decree;
 - 2) education, health care or social welfare matters concerning individuals;
 - 3) matters transferred to a joint decision-making body of municipalities referred to in section 51 if so agreed by the municipalities in question.

Section 93 – Preparation of local council matters

The local executive must prepare matters that are to be considered by the local council, with the exception of matters that concern the internal organisation of the local council's activities or that are prepared by a council ad hoc committee referred to in section 35 or by the local authority audit committee referred to in section 121.

Section 94 – Convening of local council

- (1) Local councils shall convene at times determined by themselves and also whenever the council chairperson considers this necessary.
- (2) The local council must also be convened if so requested by the local executive or by at least a quarter of local councillors for the purpose of considering a stated matter. Such matters must be prepared urgently.
- (3) The local council shall be convened by the chairperson. The meeting notice for the first meeting of the local council shall be issued by the chairperson of the local executive, and the meeting shall be opened by the eldest local councillor present, who shall direct the proceedings until the chairperson and deputy chairpersons of the local council have been elected. The meeting notice must declare the matters to be dealt with.
- (4) The meeting notice must be sent at least four days before the meeting. At the same time, information about the meeting must be provided in a public information network. Meeting notices can be sent by electronic means if the municipality ensures that the technical equipment and connections needed for this are available.

Section 95 – Matters dealt with by local council

- (1) Local councils may deal with matters mentioned in the meeting notice and which have been prepared in the manner referred to in section 93.
- (2) If a matter is urgent but was not mentioned in the meeting notice, the local council can still decide to consider this matter. If a matter has not been prepared, the decision to consider it must be made unanimously.

Section 96 – Overseeing legality of local council decisions

If the local executive deems that a local council decision was made out of sequence or that the local council has exceeded its authority or that a decision is otherwise unlawful, the local executive must not put the decision into effect. The matter must then be brought for reconsideration by the local council without delay.

Section 97 – *Disqualification*

- (1) Local councillors shall be disqualified from considering in the local council any matter that concerns them personally or their near relatives or other comparable persons referred to in section 28(2–3) of the Administrative Procedure Act. If a local councillor gets involved in the consideration of a matter in another decision-making body, he or she shall be subject to the disqualification provisions concerning members of that decision-making body.
- (2) Provisions on the disqualification of other elected officials, auditors and the municipality's local government officers and employees are laid down in sections 27–30 of the Administrative Procedure Act.
- (3) An employment relationship with the municipality as referred to in section 28(1)(4) of the Administrative Procedure Act shall not, however, disqualify elected officials, local government officers or employees in matters in which the municipality is an interested party. However, if on the basis of his or her employment relationship, an elected official has presented a matter or otherwise dealt similarly with a matter, the elected official shall be disqualified.
- (4) Section 28(1)(5) of the Administrative Procedure Act does not apply to elected officials, local government officers or employees of a municipality, even when these persons are in a position referred to in the stated section of the Act in a municipally owned company or joint municipal authority. However, disqualification does apply if the interests of the municipality are in conflict with those of the company or joint municipal authority or the impartial consideration of a matter requires that the person does not take part in such consideration. Section 28(1)(6) of the Administrative Procedure Act shall not apply to municipalities.
- (5) Persons who are subject to disqualification in a matter must declare this. Persons must also, at the request of a decision-making body, present information on factors that may be of significance in assessing grounds for their disqualification.

Section 98 – *Decision-making methods of decision-making body*

- (1) Matters pertaining to a decision-making body may be decided at an actual meeting, at a meeting taking place in an electronic environment (*electronic meeting*) or by electronic means prior to a meeting (*electronic decision-making procedure*).
- (2) At electronic meetings and in the electronic decision-making procedure, the municipality must take care of information security and ensure that information to be kept secret is not accessible by outsiders.

Section 99 – *Electronic meetings*

The preconditions for electronic meetings are that those declared present can see and hear each other on a comparable basis.

Section 100 – *Electronic decision-making procedure*

- (1) With the exception of public meetings of the local council and of other decision-making bodies, the decision-making of decision-making bodies may be made in a closed electronic decision-making procedure.
- (2) The matters to be considered must be specified in the meeting notice and must state the time by which the matter is to be considered in the electronic decision-making procedure. The consideration of the matter is completed when all the decision-making body members have expressed their view on the matter and the consideration deadline has expired. A matter is transferred for consideration at a meeting if one or more members so require or have not expressed their view.
- (3) The record of the decisions made in the electronic decision-making procedure may be examined before the meeting.

Section 101 – *Openness of meetings*

- (1) Local council meetings shall be open to public access unless the meeting deals with a matter or document that is required by law to be kept secret or unless the local council, for an important reason, decides otherwise in some matter.
- (2) Documents presented in a closed meeting of a local council and documents drawn up on the discussions at such a session shall be kept secret if the law so provides.
- (3) Meetings of decision-making bodies other than the local council shall be open to public access only if the meeting is not considering a matter or document that is required by law to be kept secret and the decision-making body so decides.
- (4) The general public must be able to follow a decision-making body meeting that is open to public access, including any participation occurring by electronic means.

Section 102 – *Chairing of meetings and addressing meetings*

- (1) At meetings of a decision-making body, the chairperson shall direct the handling of matters and ensure that order is maintained. If a person present at a meeting behaves in a way that disrupts the course of the meeting, the chairperson must urge the person to behave in an appropriate manner. If the person does not comply, the chairperson may order him or her to leave. If disorder ensues, the chairperson must suspend or close the meeting.
- (2) Decision-making body members have the right to speak on matters that are being discussed. When speaking, members must adhere to the matter in question. If the speaker diverges from the matter when speaking, the chairperson must urge him or her to return to the matter in question. If the speaker does not comply, the chairperson may forbid him or her from continuing to speak. If a speaker speaks in a protracted and manifestly needless manner, the chairperson may, after first calling attention to this, forbid him or her from continuing to speak.

Section 103 – *Quorum*

- (1) The local council is quorate when at least two thirds of the local councillors are present.

- (2) A decision-making body other than the local council is quorate when more than half its members are present.
- (3) Those present are also considered to include members of the decision-making body who are participating in the meeting by electronic means.

Section 104 – *Voting*

- (1) If a decision-making body is unanimous on a matter or if a counter-proposal is not supported, the chairperson shall declare the decision. Otherwise, the chairperson shall announce which proposals will not be voted on because of lack of support and which proposals will be voted on. The chairperson shall propose a method of voting for approval by the decision-making body and, if several votes are to be taken, the order of voting, and shall propose a voting scheme whereby a vote 'for' or 'against' will express the voter's position on the proposal.
- (2) Voting shall be conducted openly. The decision shall be the proposal receiving the most votes, or in the event of a tie, the proposal that was supported by the chairperson.

Section 105 – *Elections*

- (1) In elections, the person or persons receiving the most votes shall be elected.
- (2) Elections of elected officials shall be proportional if so demanded by at least a minimum number of the decision-making body members present, this minimum being obtained by dividing the total number of members present by the number being elected plus one. If the quotient is not a whole number, it shall be increased to the next whole number.
- (3) Deputy members shall be elected in the same election as members. Where deputy members are personal deputies, the candidates must be approved before the election and the candidates shall comprise both the member and his or her deputy member. If deputy members are not personal deputies, those elected as deputy members shall be the candidates gaining the most votes after those elected as members or the candidates with the highest comparative index.
- (4) When a proportional election is held, the provisions of the Election Act on local elections shall apply. Local councils may also issue regulations on the holding of elections. Proportional elections, and also elections by majority if required, must be by secret ballot. In the event of a tie, the election shall be decided by lot.
- (5) In electronic meetings, an election may be held by secret ballot only if voting secrecy is secured.

Section 106 – *Dissenting opinions*

- (1) Persons participating in decision-making who have made a counter-proposal or voted against a decision, and the presenting officer on the matter if the decision diverges from that proposed, shall be entitled to declare a dissenting opinion. This must be declared as soon as the decision is taken. Written justifications presented before examination of the record of proceedings and decisions shall be attached to the record.
- (2) Persons voting against a decision or declaring a dissenting opinion shall not be responsible for the decision. Presenting officers are responsible for the decisions made on the basis of their presentations, unless they have declared a dissenting opinion.

Section 107 – *Record of proceedings and decisions*

- (1) Minutes shall be taken at meetings of decision-making bodies.
- (2) An official record shall be made of decisions taken by elected officials and local government officers, unless the nature of the decision renders this unnecessary.

Section 108 – *Municipal announcements*

- (1) Municipal announcements shall be issued by publishing them in a public information network, unless the provisions on secrecy require otherwise, and, if necessary, in some other manner decided by the municipality.
- (2) The announcements must remain in a public information network for 14 days, unless the nature of the matter requires otherwise. Any personal data contained in the announcements must be removed from the information network at the end of the aforementioned period.

Section 109 – *Availability of information in a public information network*

The essential information about the services arranged by a municipality and about the municipality's activities must be published in a public information network. At least the following information must be available in a public information network:

- 1) municipal strategy;
- 2) administrative regulations;
- 3) budget and financial plan;
- 4) financial statements;
- 5) local authority audit committee's assessment report;
- 6) auditors' report;
- 7) agreements on cooperation between municipalities;
- 8) corporate governance principles applying to the local authority corporation;
- 9) declarations of private interests of elected officials and local government officers;
- 10) principles applying to fees and compensation of elected officials;
- 11) payments charged for services.

PART VI

FINANCES

Chapter 13 – Local government finances

Section 110 – *Budgets and financial plans*

- (1) By the end of each year, local councils must approve a budget for the municipality for the next calendar year, taking into account the financial responsibilities and obligations of the local authority corporation. In connection with the budget approval, local councils must also approve a financial plan for three or more years (*planning period*). The budget year shall be the first year of the financial plan.

- (2) The budget and financial plan must be drawn up so as to put the municipal strategy into effect and to secure the preconditions for performance of the municipality's functions. The operating and financial targets of the municipality and the local authority corporation shall be approved in the budget and financial plan.
- (3) The financial plan must be in balance or in surplus. A deficit in the municipality's balance sheet must be covered within no more than four years from the start of the year following adoption of the financial statements. In its financial plan, the municipality must decide on the specific measures for covering the deficit during the stated period.
- (4) The budget shall include the appropriations and revenue estimates required to fulfil the duties and meet the operating targets, and an indication of how the financing requirement will be covered. The appropriations and the revenue estimates may be stated in gross or net terms. Budgets and financial plans shall have a section covering operational finances and an income statement, and a section on investment and financing.
- (5) The budget must be adhered to in the municipality's activities and financial management.
- (6) The deficit coverage obligation, on which provisions are laid down in subsection 3 above, shall also apply to joint municipal authorities.

Section 111 – *Decisions on taxes*

Local councils must determine the municipality's rate of local income tax, rates of real estate tax and the basis for other taxes no later than when the budget is approved.

Section 112 – *Accounting*

In addition to the provisions of this Act, the accounting obligations, accounting and financial statements of municipalities are subject to the provisions of the Accounting Act. The local government sub-committee of the Finnish Accounting Board issues instructions and opinions on the application of the Accounting Act and of sections 113–116 of this Act.

Section 113 – *Financial statements*

- (1) The accounting period for municipalities shall be the calendar year. The local executive must prepare financial statements for the accounting period by the end of March of the year following that accounting period, and must submit these to the auditors for auditing. The auditors must audit the financial statements by the end of May. After the audit, the local executive must submit the financial statements for consideration by the local council. The local council must consider the financial statements before the end of June.
- (2) The financial statements shall comprise a balance sheet, income statement and cash flow statement, with appended notes, and a budget review and report on operations.
- (3) The financial statements must provide accurate and sufficient information on the municipality's financial result, financial position, financing and activities. Additional information necessary for this purpose must be reported in the notes to the financial statements.
- (4) The financial statements shall be signed by the members of the local executive and the chief executive or the mayor.

Section 114 – *Consolidated financial statements*

- (1) Municipalities which with their subsidiaries constitute a local authority corporation must draw up consolidated financial statements and include these in the municipality's financial statements. The consolidated financial statements must be drawn up on the same date as the municipality's financial statements.
- (2) The consolidated financial statements shall combine the balance sheets and income statements and appended notes of the local authority corporation's constituent entities. The consolidated financial statements shall also include the consolidated cash flow statement, which shall contain information on the local authority corporation's acquisition and use of assets during the accounting period.
- (3) The financial statements for a joint municipal authority shall be consolidated into the consolidated financial statements of the member municipalities. A municipality which has no subsidiaries but is a member municipality of a joint municipal authority or business-based joint municipal authority must include in its financial statements information that corresponds to that of consolidated financial statements.

Section 115 – *Report on operations*

- (1) The report on operations must give an account of the extent to which the operating and financial targets set by the local council have been achieved in the municipality and the local authority corporation. The report on operations must also provide information on any important matters connected with the finances of the municipality and the local authority corporation that are not evident from their balance sheets, income statements or cash flow statements. Such matters include at least an assessment of the likely future outlook and information on the arrangements for internal control and risk management, and the main conclusions.
- (2) If the municipality's balance sheet has an uncovered deficit, the report on operations must present an explanation of the extent to which the finances were balanced in the accounting period and of the adequacy of the current financial plan for balancing the finances.
- (3) In the report on operations, the local executive must present a proposal for dealing with the surplus/deficit for the period.

Section 116 – *Duty of disclosure of subsidiaries and joint municipal authorities*

Local authority subsidiaries and joint municipal authorities must provide the local executive with the information necessary for an assessment of the local authority corporation's financial position and for calculating the financial result of its activities.

Section 117 – *Financing of joint municipal authorities*

Financing of joint municipal authority expenditure that is not otherwise covered shall be the responsibility of the member municipalities in accordance with the division of responsibilities among them agreed in the charter.

Section 118 – *Assessment procedure for municipalities in a very difficult financial position*

- (1) If at least the conditions referred to in either subsection 2 or subsection 3 for the assessment procedure for a municipality in a very difficult financial position are met, the municipality and the central government must together examine the municipality's opportunities for securing the services for its residents that are required by legislation and must take measures to ensure the preconditions for the services are in place.
- (2) The assessment procedure can be started if a municipality has not covered the deficit in its balance sheet within the period laid down in section 110(3).
- (3) The assessment procedure may also be started if the latest financial statements of the local authority corporation show a deficit per resident of at least EUR 1,000 and the preceding financial statements a deficit per resident of at least EUR 500, or if the financial key figures for finance adequacy or solvency of the municipality and the local authority corporation have reached the following limits for two successive years:
 - 1) the annual contribution margin of the local authority corporation is negative without the discretionary increase in central government transfers to local government granted under section 30 of the Act on Central Government Transfers to Local Government for Basic Public Services (1704/2009);
 - 2) the municipality's rate of local income tax is at least 1.0 percentage point higher than the weighted average rate of local income tax of all municipalities;
 - 3) the local authority corporation's debt per resident exceeds the average debt for all local authority corporations by at least 50 per cent;
 - 4) the local authority corporation's relative indebtedness is at least 50 per cent.
- (4) The key figure limits referred to in subsection 3 above shall be calculated annually from the consolidated financial statements data kept by Statistics Finland. The calculation basis used by Statistics Finland and the rate of local income tax confirmed by the municipality together form the calculation basis for the key figures.
- (5) The examination referred to in subsection 1 above shall be performed by an assessment group, one of whose members shall be appointed by the Ministry of Finance and one by the municipality. After hearing the views of the municipality, the Ministry of Finance shall appoint as the group's chairperson a person who is independent of the municipality and the ministry. The group shall formulate proposals for the measures required to secure the services for the municipality's residents.
- (6) The local council must consider the group's proposed measures and inform the Ministry of Finance of its decision on them for the purpose of any further action. Based on the group's proposed measures and the local council's decisions, the Ministry of Finance shall make a decision on the need for a special report referred to in the Act on Local Authority Boundaries for the purpose of amending municipal boundary divisions.

Section 119 – *Assessment procedure in joint municipal authorities*

- (1) If a joint municipal authority has not covered the deficit in its balance sheet within the period laid down in section 110(3), the Ministry of Finance may, after hearing the views of the joint municipal authority and its member municipalities, designate an independent assessor with the task of drawing up proposals for an agreement between the joint municipal authority and its member municipalities concerning the balancing of the joint municipal authority's finances. In drawing up the proposals, the assessor must consult the joint municipal authority and the member municipalities.
- (2) The decision-making body exercising the highest power of decision in the joint municipal authority and the local councils of the member municipalities must consider the assessor's agreement proposal referred to in subsection 1. The member municipalities may approve the agreement in the manner laid down in section 57(1). The Ministry of Finance must be informed of the agreement.

Section 120 – *Finances of municipally owned companies*

- (1) The finances of municipally owned companies shall be subject to the provisions concerning local government finances, but in such a way that:
 - 1) the budget and financial plan of a municipal or joint municipal company shall be drawn up as a separate part of the municipality's or joint municipal authority's budget and financial plan;
 - 2) the budget and financial plan of a municipally owned company shall have sections covering the income statement, investment and financing;
 - 3) the accounting of a municipal or joint municipal company must be differentiated in the municipality's or joint municipal authority's accounting;
 - 4) separate financial statements for the accounting period must be drawn up on the activities of a municipal or joint municipal company and submitted for inspection by the auditors and brought for consideration by the local executive of the municipality or of the joint municipal authority;
 - 5) the financial statements of a municipally owned company shall be signed by the management board members and the company's director;
 - 6) the municipal or joint municipal company's surplus/deficit for the period may be converted into an investment reserve of no more than the surplus balance of the municipality or joint municipal authority;
 - 7) the management board shall present information in the report on operations about the treatment of the company's surplus/deficit for the period.
- (2) The expenditure and income items in the municipality's or joint municipal authority's budget that are binding on municipal or joint municipal companies are:
 - 1) the capital investment in the company by the municipality or joint municipal authority and the company's repayment of capital to the municipality or joint municipal authority;
 - 2) compensation for the capital invested by the municipality or joint municipal authority;
 - 3) business grants given to the municipal or joint municipal company by the municipality or joint municipal authority.

Section 121 – *Local authority audit committee*

- (1) Local councils shall set up a local authority audit committee to arrange audits and assessments of the administration and finances. The committee's chairperson and deputy chairperson must be local councillors.
- (2) The local authority audit committee shall:
 - 1) conduct preparatory work on matters for the decision of the local council concerning audit of the administration and finances;
 - 2) assess the extent to which the operating and financial targets set by the local council have been achieved in the municipality and the local authority corporation and whether or not the activities are arranged in a cost-effective and appropriate manner;
 - 3) assess the extent to which the finances were balanced in the accounting period and the adequacy of the current financial plan if the municipality's balance sheet has an uncovered deficit;
 - 4) ensure that the auditing of the municipality and its subsidiaries is coordinated;
 - 5) oversee compliance with the obligation to declare private interests as laid down in section 84, and submit the declarations to the local council;
 - 6) draw up proposals for the local executive concerning provisions in the administrative regulations covering the committee's tasks and for the auditing budget.
- (3) The local executive may deviate from the local authority audit committee's proposals concerning provisions on the audit committee in the administrative regulations and on the budget if there is a justifiable reason associated with reconciling the municipality's administrative regulations and the budget proposal.
- (4) The local authority audit committee shall draw up an assessment plan and submit to the local council an assessment report on each year, in which the assessment results shall be presented. The local council shall consider the assessment report in conjunction with the financial statements. The local authority audit committee may provide the local council with other documents regarding the assessment results if the committee deems this necessary.
- (5) The local executive shall provide the local council with a statement on the measures arising from the assessment report.

Section 122 – *Audit*

- (1) For the audit of the administration and finances, the local council shall appoint a firm of authorised public accountants, which must be a firm approved by the Board of Chartered Public Finance Auditing (a CPFA corporation). The CPFA corporation must appoint a chartered public finance auditor (a CPFA auditor) as responsible auditor. Auditors shall, in their duties, be subject to liability for acts in office.
- (2) The auditors appointed for local authority subsidiaries must be the municipality's firm of authorised public accountants, unless deviation from this would be justified on grounds related to arrangement of the audit.

- (3) A firm of authorised public accountants may, at any one time, be appointed to audit the administration and finances for a period comprising no more than six accounting periods.
- (4) The auditors must be able to perform impartial and sufficiently extensive audits. If the preconditions for an impartial audit do not exist, the auditors must refuse to accept the assignment or must abandon it.
- (5) Persons who, under section 75, are not eligible for election to a local authority audit committee may not act as auditors.

Section 123 – *Duties of auditors*

- (1) The auditors must audit the administration, accounting and financial statements for the respective accounting period by the end of May in accordance with good auditing practice in public administration. The auditors are required to examine whether:
 - 1) the administration of the municipality has been in accordance with the law and with the decisions of the local council;
 - 2) the municipality's financial statements and the consolidated financial statements provide, in accordance with the provisions concerning the preparation of financial statements, accurate and sufficient information on the municipality's financial result, financial position, financing and activities;
 - 3) the information provided about the basis for central government transfers to local government is correct;
 - 4) the internal control and risk management of the municipality and oversight of the local authority corporation have been properly arranged.
- (2) The auditors must follow any instructions issued by the local council or the local authority audit committee, unless these conflict with the law or with the administrative regulations or good auditing practice in public administration.
- (3) Any material irregularities found by the auditors must be notified without delay in the audit records to be given to the local executive. The local authority audit committee shall be informed of the audit records.

Section 124 – *Local authority audit committee's and auditors' right to information*

- (1) Notwithstanding the provisions on secrecy, a local authority audit committee has the right to obtain information and view documents from municipal authorities where it considers this necessary for the performance of assessment duties.
- (2) Notwithstanding the provisions on secrecy, the auditors have the right to obtain information and view documents from municipal authorities and from corporate entities and foundations forming part of a local authority corporation where the auditors consider this necessary for the performance of audit duties.

Section 125 – *Auditors' report and its consideration*

- (1) The auditors must provide the local council with a report for the respective accounting period in which the results of the audit shall be presented. The report must also state whether the

financial statements can be approved and whether the members of the decision-making bodies and the senior local government officers for the relevant areas of responsibility of the decision-making bodies (*parties liable to render accounts*) can be discharged from liability.

- (2) If the auditors find that the municipality's administration and finances have been managed contrary to the law or to decisions of the local council, and the error or the damage caused is not of a minor nature, the party liable to render accounts must be admonished in the auditors' report. The local council may not be admonished.
- (3) The local authority audit committee must procure from the party concerned an explanation regarding the admonishment made in the auditors' report and a statement from the local executive. The local council shall decide on any necessary action on the basis of the preparatory work by the local authority audit committee, the auditors' report and admonishments made in the report. When approving the financial statements, the local council shall decide whether to discharge from liability the parties liable to render accounts.

PART VII

MISCELLANEOUS PROVISIONS

Chapter 15 – Municipal activities in a market environment

Section 126 – *Municipal activities in a competitive market environment*

- (1) When a municipality carries out functions referred to in section 7 in a competitive market environment, it must assign these to a limited liability company, cooperative, association or foundation to perform (*corporatisation obligation*).
- (2) A municipality shall not carry out a function in a competitive market environment in at least the following cases:
 - 1) if the municipality is providing, by law, services that form part of its own activities for the municipality's residents and for others for whom the municipality is required by law to arrange services;
 - 2) if the function is being carried out through cooperation in the manner referred to in section 49 on the basis of a cooperation obligation laid down by law, and the services are provided as the municipality's own services for the area's residents and for others for whom the services are required to be arranged by law;
 - 3) if the function is being carried out through cooperation in the manner referred to in section 49 and it concerns activities of an affiliated unit or affiliated enterprise referred to in section 10 of the Act on Public Contracts or in section 19 of the Act on Public Contracts by Contracting Authorities in the Water, Energy, Transport and Postal Services Sectors, or if a competitive tendering obligation does not otherwise apply to the cooperation;
 - 4) if the municipality is arranging education services laid down by law that require authorisation to provide education, an operating licence or an education institution licence and other tasks specified in the aforementioned authorisation and licences, or is providing services in the form of pupil and student projects that are closely connected to this educational provision;

- 5) if the activities are based on the status of statutory monopoly or constitute a natural monopoly or provide services directly related to these; or
- 6) if the municipality is buying, selling or renting real estate and the activities concern the performance of municipal functions referred to in the Land Use and Building Act.
- (3) A municipality is operating in a competitive market environment if it takes part in an invitation to tender. However, a municipality is not operating in a competitive market environment if it takes part in an invitation to tender for arranging education services or other tasks specified in the licence as referred to in subsection 2(4).

Section 127 – *Exceptions to the corporatisation obligation*

- (1) Notwithstanding the corporatisation obligation, a municipality may perform a function referred to in section 126 as part of its own activities if:
 - 1) the activities are seen as minor in nature;
 - 2) the municipality may, by law, specifically provide services for another party or participate in an invitation to tender concerning such activities;
 - 3) the municipality is providing support services for its subsidiaries;
 - 4) the municipality is providing services for an affiliated unit referred to in section 10 of the Act on Public Contracts or for an affiliated enterprise or joint enterprise referred to in section 19 of the Act on Public Contracts by Contracting Authorities in the Water, Energy, Transport and Postal Services Sectors;
 - 5) the municipality is renting business premises primarily for use in its own activities and for subsidiaries forming part of the local authority corporation or for use in service provision for which the municipality has invited competitive tenders;
 - 6) the municipality is providing services on the basis of an employment relationship for persons employed by the municipality or a local authority subsidiary; or
 - 7) the activities are directed related to the obligation to have preparations in place for emergency conditions under a contingency plan referred to in the Emergency Powers Act (1552/2011).
- (2) The provisions of subsection 1 above concerning services shall also apply to the sale of goods in a competitive market environment.

Section 128 – *Pricing when municipalities operate in a competitive market environment*

When municipalities operate in a competitive market environment in cases referred to in section 127 they must adopt market-based pricing for their activities.

Section 129 – *Granting a loan or guarantee or other security*

- (1) A loan, guarantee or other security granted by a municipality must not put at risk the municipality's ability to fulfil the responsibilities laid down for it by law. Municipalities must not grant a loan, guarantee or other security if this incorporates a significant financial risk. The municipality's interests must be safeguarded with counter-security of sufficient coverage.
- (2) Municipalities may grant a guarantee or other security for the debt or other liability of a corporate entity operating in a competitive market environment if the entity forms part of the

local authority corporation or is under municipal control or the joint control of municipalities and central government.

- (3) Notwithstanding the provisions of subsection 2, a municipality may grant a guarantee or other security that is connected with furthering the duties of the municipality under the Sports Act (1054/1998), the Municipal Cultural Activities Act (728/1992), the Museums Act (729/1992), the Theatres and Orchestras Act (730/1992) or the Youth Act. The preconditions for granting a guarantee or other security are, however, subject to the provisions laid down separately on this. Municipalities may also grant a guarantee or other security if this is based on a support scheme or individual support approved under law or is connected with a service obligation assigned to a corporate entity or foundation.
- (4) Municipalities must also take into account the provisions of Articles 107 and 108 of the Treaty on the Functioning of the European Union.

Section 130 – *Disposal of real estate owned by a municipality or specification of market-based leases*

- (1) Municipalities may dispose of real estate in their ownership or make it available for rent for at least ten years to a party operating in a competitive market environment by means of an invitation to tender for which no conditions are to be set. The invitation to tender must be open and it must be sufficiently well publicised.
- (2) If a municipality disposes of real estate in its ownership or makes it available for rent for at least ten years without an invitation to tender referred to in subsection 1, an impartial valuer will assess the real estate's market value or the market-based rent.
- (3) Municipalities must also take into account the provisions of Articles 107 and 108 of the Treaty on the Functioning of the European Union.

Section 131 – *Service obligation*

- (1) For the purpose of ensuring the services necessary for the well-being of the municipality's residents, municipalities may impose a fixed-term service obligation on a services provider operating in a competitive market environment if the operation of the market is inadequate. Before imposing the service obligation the municipality must ascertain whether the operation of the market is adequate.
- (2) The service obligation must be imposed in writing and must specify the main terms concerning service provision and the determination of compensation. The compensation payable to secure the service must also take into account the provisions of the European Commission's legislation on State aid and general economic interest.
- (3) The services provider must be selected in an open and non-discriminatory procedure. If the service obligation meets the definition of a public contract or a concession contract laid down in the Act on Public Contracts, the selection of services provider must comply with the procedure provided in that act.

Section 132 – *Application of Competition Act*

The Competition Act (948/2011) lays down provisions on the right of the Finnish Competition and Consumer Authority to intervene in procedures or operating structures of a municipality or joint municipal authority, or of a corporate entity within its control, that are in breach of the Competition Act.

Chapter 16 – Claims for a revised decision and appeals against the decision of a municipal authority

Section 133 – *Application of the provisions of this Chapter*

In the case of a decision made by a public authority of a municipality or joint municipal authority, the provisions of this Chapter shall apply to making a claim for a revised decision and submitting an appeal against the decision of a municipal authority, unless otherwise provided separately by law. Section 134 will not apply if the decision can be appealed against under some other act by submitting an appeal against a municipal authority decision.

Section 134 – *Claim for a revised decision*

- (1) Any party dissatisfied with the decision of a local executive, local authority committee or standing committee or of their sub-committees, or of a public authority subordinate to these may seek a revised decision.
- (2) A claim for a revision to a decision made by a decision-making body or its sub-committee or a subordinate public authority as referred to in subsection 1 shall be submitted to the decision-making body concerned. A claim for a revision to a decision made by the management board of a municipally owned company as referred to in section 67(3) or by the management board of a business-based joint municipal authority as referred to in section 67(5) shall be submitted to the management board that made the decision. If the administrative regulations specify that under section 92 a decision can be placed before the company's management board, a claim for a revision to a decision made by the management board or by a subordinate public authority shall be submitted to the management board. A claim for a revised decision must be dealt with urgently.
- (3) If the local executive has, by virtue of section 92, taken for its consideration a matter decided by a public authority subordinate to it or by a sub-committee of the local executive, any claim for a revision to this decision must be dealt with by the local executive.

Section 135 – *Appeal against the decision of a municipal authority*

- (1) An appeal against the decision of a local council or of a joint municipal authority's decision-making body referred to in section 58(1), or against a decision issued by the local executive, a local authority committee or a management board as a result of the claim for a revised decision, shall be made by submitting an appeal against a municipal authority decision to the administrative court.
- (2) An appeal may be made on the grounds that:
 - 1) the decision was not taken in the proper sequence;
 - 2) the public authority that made the decision exceeded its powers; or

- 3) the decision is otherwise unlawful.
- (3) The appellant must state the grounds for appeal referred to in subsection 2 before the appeal period expires.

Section 136 – *Scope of appeals and of claims for a revised decision*

Claims for a revised decision and appeals against the decision of a municipal authority may not be submitted in the case of decisions concerning only preparatory work or implementation.

Section 137 – *Right to make a claim for a revised decision and right of appeal*

- (1) Claims for a revised decision and appeals against the decision of a municipal authority may be made by the party to whom the decision applies or whose right, obligation or interests are directly affected by the decision (*interested party*), or by natural and legal persons resident in the municipality.
- (2) In the case of decisions made by a public authority of a joint municipal authority, a claim for a revised decision and an appeal against a municipal authority decision may also be made by a member municipality of the joint municipal authority or by natural or legal persons resident in that municipality, and, in the case of a decision of a joint municipal decision-making body, by a municipality that is party to the agreement or by natural or legal persons resident in that municipality.
- (3) When a decision is issued as a result of a claim for a revised decision, any appeal against the decision of a municipal authority may be made only by the party that made the claim for a revised decision. If a decision changes as a result of a claim for a revised decision, an appeal against the decision of a municipal authority may also be made by a party that is entitled under subsections 1 or 2 to submit such an appeal.

Section 138 – *Period for claims for a revised decision and for appeals*

A claim for a revised decision must be submitted within 14 days, and an appeal against the decision of a municipal authority within 30 days, of being informed of the decision.

Section 139 – *Notifications of decisions to interested parties*

The notification of decisions to the interested parties shall be subject to the provisions of section 59 of the Administrative Procedure Act concerning standard notification and the provisions of section 19 of the Act on Electronic Services and Communication in the Public Sector (13/2003) concerning standard electronic notification.

Section 140 – *Notifications of decisions to natural and legal persons resident in a municipality*

- (1) Records of proceedings and decisions of a local council, local executive or local authority committee, or of a joint municipal authority's decision-making body referred to in section 58(1), and appended instructions concerning claims for a revised decision and instructions for appeal shall, after being examined, be kept available for inspection in a public information network, unless the provisions on secrecy require otherwise. If a matter is to be kept secret in its entirety,

the record of proceedings and decisions shall only include mention of the consideration of the secret matter. Personal data contained in a record of proceedings and decisions shall consist only of that which is essential for notification purposes. Personal data contained in a record of proceedings and decisions must be removed from the information network at the end of the period for claims for a revised decision and for appeals.

- (2) Records of proceedings and decisions of authorities of a municipality or joint municipal authority other than those referred to in subsection 1 shall likewise be kept available for public inspection if the authority in question deems this necessary.
- (3) Natural and legal persons resident in a municipality and municipalities referred to in section 137(2) are considered to have been notified of decisions seven days after the record of proceedings and decisions became available for inspection in a public information network.

Section 141 – *Instructions concerning claim for a revised decision and instructions for appeal*

- (1) Instructions on submitting claims for a revised decision must be appended to decisions on which such claims may be made.
- (2) Instructions for appeal must be appended to decisions on which appeals against a municipal authority decision may be submitted.
- (3) A notice of prohibition of appeal must be appended to decisions on which neither a claim for a revised decision nor an appeal against a municipal authority decision is permitted. The notice must state the legal provision on which the prohibition is based.

Section 142 – *Further appeal*

- (1) Appeals against an administrative court judgement may be submitted to the Supreme Administrative Court. The municipality, joint municipal authority or relevant municipalities must place a notice of the decision immediately in a public information network, unless the provisions on secrecy require otherwise. Personal data contained in the decision must be removed from the information network at the end of the appeal period.
- (2) The appeal period shall begin when the notice of the decision has been published. However, if an interested party is notified separately about a decision, the appeal period shall begin from this notification.

Section 143 – *Eligibility of decisions for implementation*

Decisions may be put into effect before they have attained legal force. However, this is not permitted if a claim for a revised decision or an appeal would consequently be rendered useless or if the decision-making body handling the claim for a revised decision or the appellate authority forbids implementation.

Section 144 – *Other provisions on claims for a revised decision and on appeals against the decision of a municipal authority*

Claims for a revised decision and appeals against the decision of a municipal authority are otherwise subject to the provisions of the Administrative Procedure Act and the Administrative Judicial Procedure Act.

Chapter 17 – Entry into force

Section 145 – *Entry into force*

This Act enters into force on 1 May 2015.

Section 146 – *Repealed provisions*

- (1) This Act repeals the Local Government Act (365/1995).
- (2) If there are references elsewhere in the law to the Local Government Act that was in force at the time of the entry into force of this Act, such references shall apply to this Act instead.

Section 147 – *Transitional provisions concerning decision-making bodies, management, rights of participation of residents, elected officials, decision-making and administrative procedure, claims for a revised decision and appeals against the decision of a municipal authority*

- (1) The provisions of Chapters 4–7, sections 59, 60(2), 64(4) and Chapters 10, 12 and 16 above shall apply from the start of the term of local councils elected in 2017. Until then, decision-making bodies, management, rights of participation of residents, elected officials, decision-making and administrative procedure, claims for a revised decision and appeals against the decision of a municipal authority shall be subject to the provisions of the Local Government Act that was in force at the time of the entry into force of this Act.
- (2) The provisions above in section 15(1) on the term of local councils and section 16 on the number of local councillors shall apply for the first time to local councils elected in 2017. The term of local councils competent at the time this Act enters into force shall continue until the end of May 2017.
- (3) Local councillors, or other elected officials of a municipality referred to in section 32 of the Local Government Act that was in force at the time of the entry into force of this Act, may, if they wish, resign at the end of 2016 due to the extension of the local council's term. In this case, a deputy councillor shall be called in to replace the local councillor for the remaining term, and for other positions of trust a new person shall be elected. Resignations from the duties of local councillor or from other positions of trust in a municipality must be notified by the end of November 2016 in writing to the local council or other decision-making body that elected the official.
- (4) The obligation of municipalities, referred to in section 19(2) above, to notify the amount of support paid to local council groups and the obligation of municipalities, referred to in section 82(3), to notify the amount of elected officials charges collected shall apply for the first time when the financial statements for 2015 are prepared.
- (5) Agreements on cooperation between municipalities must comply with the provisions of Chapter 8 no later than at the start of the term of local councils elected in 2017.

Section 148 – *Transitional provisions concerning deficit coverage and the assessment procedure*

- (1) The provisions on the obligation to cover a municipality's balance sheet deficit, laid down in section 110(3) above, shall apply for the first time to balance sheet deficits in the financial statements for the 2015 accounting period.
- (2) Notwithstanding the provisions of section 110(3) on the obligation to cover a municipality's balance sheet deficit, the deficit must be covered no later than in the financial statements for the 2022 accounting period if the deficit in the municipality's balance sheet in its financial statements for the 2015 accounting period exceeds EUR 500 per resident.
- (3) The provisions of section 65(3) of the Local Government Act that was in force at the time of the entry into force of this Act concerning specific measures to be decided for covering a deficit in conjunction with the financial plan shall apply until the end of 2016.
- (4) Sections 118(1) and 118(3–5) concerning the assessment procedure for municipalities in a very difficult financial position shall be applied for the first time to balance sheet deficits for the 2017 accounting period, and subsection 2 for the first time to deficits in the 2015 balance sheet, if the financial statements for the 2020 accounting period show that the deficit has not been covered. In cases laid down in subsection 2 above, the assessment procedure shall be applied for the first time to deficits in the 2015 balance sheet if the financial statements for the 2022 accounting period show that the deficit has not been covered. The assessment procedure for municipalities in a very difficult financial position in 2015 and 2016 shall be subject to section 63a of the Act on Central Government Transfers to Local Government for Basic Public Services, which was in force at the time of the entry into force of this Act, and the Decree issued on the basis of it.
- (5) The provisions of section 119 concerning the assessment procedure in joint municipal authorities shall be applied for the first time to deficits in the 2015 balance sheet if the financial statements for the 2020 accounting period show that the deficit has not been covered.

Section 149 – *Transitional provisions concerning audit of the administration and finances*

- (1) The provisions in force at the time of the entry into force of this Act shall apply to audits of administration and finances for the 2014 accounting period.
- (2) The provisions of section 122 above on the appointment of a firm of authorised public accountants shall apply for the first time upon the expiry of auditing agreements in force at the time of the entry into force of this Act.

Section 150 – *Transitional provisions concerning the corporatisation obligation*

- (1) If the activities of a municipality or joint municipal authority involve providing services under the Act on Public Employment and Business Services (916/2012) in a competitive market environment, the municipality or joint municipal authority must, by the end of 2016, assign the performance of the duty to a company, corporate entity or foundation, or must arrange the activities in some other way so that they do not distort competition.
- (2) Section 126(1) above shall apply to the provision of occupational health care services referred to in section 18(3) of the Health Care Act (1326/2010) from the start of 2017. If a municipality

provides occupational health care services during the transition period, its pricing of these must comply with the provisions of section 128 of this Act. The Finnish Competition and Consumer Authority may intervene, in a manner referred to in Chapter 4a of the Competition Act, in the activities and pricing of a municipality or a joint municipal authority if they are providing occupational health care services in a competitive market environment during the transition period.

- (3) If duties referred to in subsections 1 and 2 are transferred by the end of 2016, the limited liability company, cooperative, association or foundation to whose employment the persons employed by the municipality or the joint municipal authority are transferring must ensure retention of the pension security of transferring personnel who were employed by the municipality or joint municipal authority before 1993 and whose employment relationship continues uninterrupted until retirement.
 - (4) If, by the end of 2016 at the latest, a municipality or a joint municipal authority disposes of real estate in its ownership to a limited liability company owned by one or more municipalities or joint municipal authorities for the purpose of reassigning duties referred to in subsections 1 and 2, where, before the entry into force of the Act, the real estate was primarily used directly for a duty carried out by the municipality in a competitive market environment and will be in such use after the disposal, and payment is received in the form of shares of the receiving company, the tax office will, upon application, refund the tax paid. The exemption from tax correspondingly applies to securities forming part of the fixed assets of the activities being corporatised and to the assignment of shares of a company owned by a municipality or joint municipal authority which engages in real estate ownership and management in return for shares of the receiving company, if:
 - 1) the real estate is primarily used as referred to above; or
 - 2) the shares confer entitlement to possession of premises which are used as referred to above.
 - (5) An application for the refund of taxes must be made within one year of payment of the tax. Appended to the application must be documentation provided by the relevant municipalities concerning the connection between the disposal and the obligation to corporatise the activities as provided in this Act, and the use of the real estate before and after the disposal. The opinion of the municipality's auditors must also be appended to the application. The tax office may, if necessary, request the opinion of the Ministry of Finance regarding the connection between the disposal and the corporatisation obligation laid down by law.
 - (6) If an application is made and documentation presented regarding fulfilment of the requirements for tax-exempt disposal prior to payment of tax, the tax office may decide that no tax is to be paid.
-