

Translation from Finnish
Legally binding only in Finnish and Swedish
Ministry of Finance, Finland

Municipalities Act
(410/2015; amendments up to 780/2023 included)

By decision of Parliament, the following is enacted:

PART I
GENERAL PROVISIONS

Chapter 1
General provisions

Section 1
Purpose of the Act

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.

Municipalities shall advance the well-being of their residents and the vitality of their respective areas and organise services for their residents in a way that is financially, socially and environmentally sustainable.

Section 2 (1484/2016)
Scope of application

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

The provisions of this Act relating to the decision-making bodies of joint municipal authorities shall be applied notwithstanding the provisions on the administration of a joint municipal authority elsewhere in the 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 real property in the municipality.

Section 4

Names of municipalities

Any decision to change the name of a municipality shall be made by the municipal council. Before such a decision is made, an opinion shall be obtained from the Institute for the Languages of Finland. A change of name shall be notified to the Ministry of Finance.

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

A municipality may have a coat of arms that has been approved by the municipal council. Before the coat of arms is approved, the municipality shall obtain an opinion from the National Archives.

Use of the coat of arms shall be overseen by the municipal executive or other municipal authority specified in the administrative regulations.

Section 6

Municipal authority corporations and municipal activities

A *municipal subsidiary* is a corporate entity in which a municipality exercises the control referred to in section 5 or section 6, subsection 2 of chapter 1 of the Accounting Act (1336/1997). The municipality and its subsidiaries together constitute a *municipal authority corporation*. The provisions of this Act concerning municipal subsidiaries also apply to foundations that fall within the sphere of the municipality's control. (419/2021)

Municipal activities comprise the activities of the municipality and municipal authority corporation, the municipality's involvement in cooperation between municipalities, and other activities based on ownership, agreement and financing.

Chapter 2

Functions and responsibility for organising services of municipalities

Section 7

Functions of municipalities

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*).

Municipalities may, on the basis of an agreement, also perform public functions other than those which pertain to their self-governing status.

Section 8

Responsibility for organising services of municipalities

Municipalities may organise the functions provided for them by law themselves or may agree on transferring responsibilities for organising services to another municipality or a joint municipal

authority. In the case of statutory joint responsibility, the responsibility to organise services will lie with the other municipality or the joint municipal authority.

In the performance of the functions, the municipality or joint municipal authority with the responsibility for organising services shall be responsible for the following in respect of the services and other actions being organised:

- 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.

Municipalities shall be responsible for the financing of their functions, even if the responsibility for organising services has been transferred to another municipality or a joint municipal authority.

Section 9

Provision of services

Municipalities or joint municipal authorities may themselves provide the services which they are responsible for organising, or they may acquire these from another service provider on the basis of an agreement. Provisions on the use of service vouchers shall be laid down separately.

Municipalities may, however, assign a public administrative function to a party other than a public authority only if this is provided separately by law.

When municipalities or joint municipal authorities acquire services provided by law from another service provider, they retain the responsibility for organising services referred to in section 8, subsection 2. In addition, the service 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 service provider.

Chapter 3

Relationship between central government and municipalities

Section 10

Monitoring municipalities and oversight of legality

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 on municipalities is drafted.

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 government and municipalities

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

Section 12

Programme for municipal finances

A programme for municipal finances shall be prepared as part of the negotiation process between central government and municipalities. (419/2021)

Preparation of the programme for municipal finances shall form part of the preparatory work for the general government fiscal plan and the central government's budget proposal. 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). (419/2021)

The programme for municipal finances shall include an assessment of the adequacy of funding for performing the functions 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 municipalities, and shall provide an estimate of the trend in municipal finances. Municipal finances shall be assessed as a whole, as part of general government finances and in terms of different groups of municipalities. The assessment shall concern the statutory and other functions of municipalities and the cost-effectiveness of the activities of municipalities. (419/2021)

An assessment of the trend in municipal finances and of the impact of the central government's budget on municipal finances shall be made in connection with the central government's budget proposal.

The programme for municipal finances shall be prepared by the Ministry of Finance in cooperation with the other ministries central to the financing and activities of municipalities. The economic forecasts and the assessment of the trend in municipal finances, which form the basis for the programme for municipal finances, shall be prepared by the Ministry of Finance. The Association of Finnish Municipalities shall participate in the preparation of the programme for municipal finances. (419/2021)

Section 13

Advisory Committee on Municipal Finances and Administration

The negotiation process between central government and municipalities shall include consideration of matters concerning the activities, finances and administration of municipalities by the Advisory Committee on Municipal Finances and Administration, which operates in conjunction with the Ministry of Finance.

The Advisory Committee's task shall be to monitor and assess the trend in municipal finances and ensure that the programme for municipal finances is taken into account in the drafting of

legislation and decisions concerning municipalities. 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

Municipal council

Section 14

Duties of the municipal council

Municipalities shall have a municipal council, which shall be responsible for the municipality's activities and finances and shall exercise the municipality's power of decision.

The municipal 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 municipal authority corporation;
- 5) the operating and financial objectives set for unincorporated municipal enterprises;
- 6) the principles for managing assets and for investment activities; (419/2021)
- 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 municipal council.

Section 15

Municipal elections

Municipal councillors and deputy councillors shall be elected to the municipal council in municipal elections held within the municipality. The term of the municipal council shall be four years, and this shall begin at the start of June in the election year.

Municipal elections shall be direct, proportional and by secret ballot. All eligible voters have an equal right to vote.

Provisions on holding municipal elections are laid down in the Election Act (714/1998) and the Municipal Structure Act on (1698/2009).

Section 16

Number of municipal councillors

The number of municipal councillors shall be decided by the municipal council. The number of municipal councillors elected shall be an odd number based on the population of the municipality, as follows:

Population	Minimum number of municipal 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

Unless the municipal council makes a decision about the number of municipal councillors, the number of municipal councillors elected shall be the minimum laid down by law. A municipal council decision about a larger number than the minimum, or a change to a previous decision, shall be notified to the Ministry of Justice by the end of the year preceding the election year. A municipal council decision on the number of municipal 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.

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 Digital and Population Data Services Agency (661/2009) at the end of the 30th day of November in the year preceding the election year. (1178/2019)

Section 17 (1484/2016)

Deputy councillors

The same number of deputy councillors as there are municipal councillors shall be elected for the municipal councillors from among the first unelected candidates of each electoral alliance, party or joint list that featured in the municipal elections, however a minimum of two. An elected municipal councillor who was the candidate of a constituency association not on a joint list shall have no deputy councillor.

If a municipal councillor is found to have forfeited eligibility for election, has been relieved of the post or has died, the municipal council chairperson shall invite in the municipal councillor's 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.

If a quorum cannot be reached at the municipal council due to the disqualification of municipal councillors and deputy councillors, the central municipal electoral committee shall, in compliance with section 93, subsection 2 of the Election Act, on request of the chairperson of the council, appoint new deputy councillors in accordance with subsection 1 of this section. The deputy councillors thus appointed participate at the meetings of the municipal council in matters where the municipal councillors and deputy councillors are disqualified.

Section 18

Chairperson and deputy chairpersons

Municipal 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.

The chairperson and deputy chairpersons of the municipal council shall have the right to attend and speak at meetings of the municipal executive.

Section 19

Municipal council groups and support of their activities

Municipal councillors may form municipal council groups for the purpose of conducting council business. A municipal council group may be established by even one individual councillor.

To improve the operational preconditions for municipal council groups, municipalities may provide financial support for their internal activities and for measures by which municipal 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 shall be specified. The amount of support for each municipal council group shall be notified in the municipality's financial statements.

Chapter 5

Right of participation of a municipality's residents

Section 20

Right to vote in municipal elections

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 municipal elections held in the municipality. Other foreigners meeting the requirements laid down above shall also have the right to vote in municipal elections if, at the time referred to, they have had a municipality of residence in Finland for two years.

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 municipal 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 Digital and Population Data Services Agency;
- 2) they have informed the Digital and Population Data Services Agency in writing no later than the 52nd day before the election day, and before 16.00, of their desire to exercise their right to vote in municipal elections, or have not cancelled in writing a notification which they provided earlier.

(1178/2019)

Section 21

Right to vote in municipal referenda

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 municipal elections.

The right to vote in a municipal 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 (175/2019)

Opportunities to participate and exert influence

A municipality's residents and service users shall have the right to participate in and influence the activities of the municipality. The municipal council shall ensure that there are diverse and effective opportunities and methods for participation and exerting influence.

Participation and exerting influence can be furthered especially by:

- 1) arranging opportunities for discussion and for views to be presented, and setting up municipal resident panels;
- 2) finding out the opinions of residents and service users who are legal or long-term residents of the municipality before making 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

The residents of a municipality, the corporate entities and foundations operating in a municipality, and parties who own or control real property in the municipality have the right to submit initiatives

on matters concerning the municipality's activities. Action undertaken as a result of an initiative shall be notified to those who submitted the initiative. (419/2021)

Subsection 2 was repealed by Act 419/2021

Service users also have the right to submit initiatives in matters concerning the municipal service in question.

At least once a year, the municipal council shall be informed of all the initiatives submitted on matters within its purview and of the actions taken as a result.

Section 24

Municipal referenda

The municipal council may decide to hold a referendum on a matter concerning the municipality. No request for a judicial review is permitted against a municipal council decision to hold a municipal referendum.

Referenda shall be non-binding and indicative.

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.

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 municipal council shall decide without delay on whether to hold the referendum referred to in the initiative.

Section 26**Youth council**

To secure the opportunity for young people to participate and exert an influence, the municipal executive shall 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 may be shared by two or more municipalities.

Youth councils shall 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 shall 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.

Provisions on the participation of children and young people and on opportunities for their views to be presented are laid down in section 24 of the Youth Act (1285/2016). (419/2021)

Section 27**Older people's council**

To secure the opportunity for older people to participate and exert an influence, the municipal executive shall set up an older people's council and ensure the operational preconditions for it. An older people's council may be shared by two or more municipalities.

The older people's council shall 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 council

To secure the opportunity for people with disabilities to participate and exert an influence, the municipal executive shall set up a disability council. A disability council may be shared by two or more municipalities. People with disabilities and their relatives and disability organisations shall be adequately represented on the disability council. The municipal executive shall ensure the operational preconditions for the disability council.

The disability council shall 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

Residents, service users, organisations and other corporate entities shall be informed about the municipality's activities. The municipality shall provide sufficient information on the services it organises, the municipality's finances, matters under preparation in the municipality, plans concerning these, the processing of these matters, the decisions made and their effects. Municipalities shall provide information on how to participate in and influence the preparation of decisions.

Municipalities shall 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 shall 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.

In communications, clear and comprehensible language shall be used and the needs of the municipality's different groups of residents shall be taken into account.

PART III**DECISION-MAKING BODIES AND MANAGEMENT****Chapter 6****Municipal decision-making bodies****Section 30****Municipal decision-making bodies**

Each municipality shall have a municipal council, a municipal executive and a municipal audit committee.

The municipal council may also establish:

- 1) municipal committees to operate under the municipal executive, or, alternatively, standing committees for managing functions of a permanent nature;
- 2) management boards for managing an unincorporated municipal enterprise or for a particular function;
- 3) sub-committees for the municipal executive, for a municipal committee, for a standing committee or for a management board.

A commission may be set up by the municipal executive or, if so decided by the municipal council, by some other decision-making body in order to perform a specified task.

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 shall be elected from among persons who are part of the language group in question.

Sub-committees of the municipal executive or of a municipal 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

The municipal council may decide that:

- 1) only municipal councillors and deputy councillors can be elected to the municipal executive or a municipal committee, in which case the municipal committee may be called a standing committee (*standing committee model*);
- 2) those elected as chairpersons of municipal committees or standing committees shall be members of the municipal 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 municipal 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, subsection 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.

A deputy member of a decision-making body may also be a member of a sub-committee. The municipal council may decide that persons other than members and deputy members of the decision-making body may be elected as members of a sub-committee, but not as its chairperson.

Members of decision-making bodies shall have personal deputies elected for them, who shall be subject to the provisions concerning ordinary members.

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**

The members of decision-making bodies shall be elected for the term of the municipal 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, subsection 3 above shall be established for no longer than the term of the decision-making body setting it up.

The members of the municipal executive, municipal audit committee, other municipal committees and standing committees shall be elected at a June meeting of the municipal council.

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

The municipal 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 municipal council has decided on the chairperson model.

The municipal council may decide whether its chairperson, the municipal executive's chairperson and deputy chairpersons, and the chairpersons of municipal 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**

The municipal 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.

The municipal 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.

The municipal council may remove the mayor and deputy mayor before the end of their term if they do not enjoy the confidence of the council.

The matter shall be initiated at the proposal of the municipal executive or if at least a quarter of municipal councillors submit an initiative to this effect.

Section 35 (1484/2016)

Council ad hoc committees

When a matter concerning the removal of elected officials as referred to in section 34 or the dismissal of the chief executive or the transfer of the chief executive to other duties as referred to in section 43 has been initiated, the municipal council may establish an ad hoc committee to perform the preparatory work on the matter. The members of an ad hoc committee must be municipal councillors or deputy councillors.

An ad hoc committee may also be established for the purpose of issuing an opinion or for the auditing of administration.

In matters that are subject to preparation by a council ad hoc committee, the ad hoc committee shall obtain an opinion from the municipal executive.

If the members and deputy members of the municipal executive are disqualified to attend to the duties belonging to the municipal executive under section 38 or 39 and a quorum cannot be reached at the municipal executive for this reason, the municipal council shall appoint an ad hoc committee to attend to the matters handled at the municipal executive which the disqualification of the members and deputy members of the municipal executive concern. The eligibility for election of a member of a committee appointed for this duty shall be governed by the provisions on the eligibility for election of a member of the municipal executive. An ad hoc committee shall

otherwise be governed by the provisions on a municipal executive. The term of an ad hoc committee shall end when the handling of the matters that caused its appointment has ended.

Section 36

Sub-area decision-making bodies

The municipal council may establish sub-area municipal committees or sub-area management boards to further the opportunities of residents in a sub-area of a municipality to exert an influence. The municipal 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.

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 shall 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.

Provisions on the other duties and powers of sub-area decision-making bodies shall be given in the administrative regulations.

Chapter 7

Municipal management and the municipal executive

Section 37

Municipal strategy

Each municipality shall have a municipal strategy in which the municipal council determines the long-term objectives for the municipality's activities and finances. The municipal strategy shall take into account:

- 1) advancement of the well-being of the municipality's residents;
- 2) the organising 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.

The municipal strategy shall 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 shall also define the process of assessment and monitoring of the strategy's implementation.

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 municipal council.

Section 38

Municipal management

The municipality's activities shall be managed in accordance with the municipal strategy approved by the municipal council.

The municipal executive shall manage the municipality's activities, administration and finances.

The administration, financial management and other activities of a municipality shall be directed by a chief executive, who will operate subordinate to the municipal executive. The municipal council may decide that the municipality is to be led by a mayor instead of a chief executive.

Section 39**Duties of the municipal executive**

The municipal executive shall:

- 1) be responsible for the municipality's administration and financial management;
- 2) be responsible for the preparation and implementation of the municipal 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 the municipal executive**

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

Section 41**Chief executive**

A chief executive shall be elected by the municipal 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.

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.

The chief executive is entitled to exercise the right to be heard on behalf of the municipal executive and to obtain information and view documents from municipal authorities, unless non-disclosure provisions require otherwise.

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 municipal council shall decide on transferring the chief executive to another public post or to a contractual employment relationship that is suitable for the chief executive. 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**

The municipality and chief executive shall conclude a management contract in which the requirements for managing the municipality are agreed. The management contract shall be subject to the approval of the municipal executive. (419/2021)

The management contract may include provisions on the division of responsibilities between the chief executive and the chairperson of the municipal executive in managing the municipality, taking into account what is provided in the administrative regulations.

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. In this case, the management contract may include agreement on severance compensation payable to the chief executive. (419/2021)

Section 43

Dismissal of the chief executive or transfer to other duties

A municipal council may dismiss the chief executive or transfer the chief executive to other duties if the chief executive no longer enjoys the confidence of the council.

The matter shall be initiated at the proposal of the municipal executive or if at least a quarter of municipal councillors submit an initiative to this effect. When the matter is being prepared, the chief executive shall be notified of the basis for the loss of confidence and shall be given an opportunity to be heard.

For the decision referred to in subsection 1 above to be taken, it shall be supported by two thirds of all the municipal councillors. The decision may be put into effect immediately. The chief executive may be relieved of the chief executive's duties at the same time.

Section 44

Mayor

A mayor shall be an elected official of the municipality and shall serve as chairperson of the municipal executive.

A mayor shall be elected by the municipal council. Persons who are not eligible for election to the municipal executive or a municipal committee may nevertheless be elected mayor. The municipal council may decide that the mayor has to be a municipal councillor of the municipality in question. Persons elected mayor do not forfeit their eligibility for election to the municipal council.

A mayor may be elected for no more than the term of the municipal council, and the mayor's term shall continue until a new mayor or a chief executive is elected.

The election of a mayor shall be held before the election of the municipal 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.

The mayor is entitled to exercise the right to be heard on behalf of the municipal executive and to obtain information and view documents from municipal authorities, unless non-disclosure provisions require otherwise.

Section 45

Deputy mayor

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, subsections 2–3 concerning mayors.

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 municipal committee shall be held before the election of the municipal committee.

Section 46

Ownership policy

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.

The measures may be connected with matters such as memorandums of association, provisions of articles of association, other agreements, personnel 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 municipal subsidiaries and corporate governance principles applying to municipal authority corporations**

Ownership policy is used to ensure that the operation of municipal subsidiaries takes into account the overall interests of the municipal authority corporation.

The composition of the board of directors of a municipal subsidiary shall take into consideration the financial and business expertise required for the sector in which the corporate entity is operating.

The corporate governance principles applying to the municipal authority corporation shall apply to the ownership policy for municipal subsidiaries and, as applicable, for associated entities.

The corporate governance principles applying to the municipal authority corporation shall include necessary provisions on at least the following:

- 1) the planning and control of the municipal authority corporation's finances and investments;
- 2) the arrangement of oversight of the municipal 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 municipal authority corporation;
- 6) the composition and designation of municipal subsidiaries' boards of directors;
- 7) good administrative and management practices for municipal subsidiaries.

Section 48**Municipal authority corporation management**

The municipal authority corporation management shall comprise the municipal 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 municipal authority corporation's management and on the division of powers.

The municipal authority corporation management shall be responsible for implementing ownership policy in the municipal authority corporation and for arranging oversight of the municipal authority corporation, unless otherwise specified in the administrative regulations.

Chapter 8**Cooperation between municipalities****Section 49****Forms of cooperation**

Municipalities and joint municipal authorities may perform functions jointly by making an agreement to this effect.

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.

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 (1411/2016)**Relationship between cooperation and the Act on Public Contracts**

If a municipality agrees, in accordance with section 8, on the transfer to another municipality or a joint municipal authority of the responsibility for organising services for a function prescribed for municipalities by law, the Act on Public Procurement and Concession Contracts (1397/2016), hereinafter the *Procurement Act*, shall not apply to the transfer.

The cooperation between municipalities shall not be governed by the Procurement Act or the Act on Procurements and Concession Contracts of Entities Operating in the Water and Energy Supply, Transport and Postal Services Sector (1398/2016), hereinafter the *Act on Public Contracts in the Utilities Sector*, if the cooperation involves a procurement made by a municipality or a joint municipal authority from its in-house entity as referred to in section 15 or from another contracting entity as referred to in section 16 of the Procurement Act or from an in-house entity referred to in section 25, another public authority serving as a contracting entity referred to in section 26, an affiliated undertaking referred to in section 27 or from a joint undertaking referred to in section 28 of the *Act on Public Contracts in the Utilities Sector* or if said Acts are not otherwise applicable to the cooperation

Section 51 (1484/2016)

Joint decision-making body

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.

The municipalities may agree that the non-host municipalities shall elect a proportion of the members of the joint decision-making body.

Section 52

Agreement on a joint decision-making body

An agreement on a joint decision-making body shall cover at least the following:

- 1) the functions of the joint decision-making body and if necessary, the transfer of responsibility for organising services 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.

The agreement may also state that the host municipality's municipal 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

Municipalities and joint municipal authorities may establish joint public posts by taking corresponding decisions to this effect.

The holder of the joint public post shall have a public-service employment relationship with all the municipalities and joint municipal authorities in question.

The municipalities and joint municipal authorities in the arrangement shall 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

A function allotted by law to municipalities, joint municipal authorities or a municipal authority in which power may be delegated to a municipal official may, by agreement, be assigned to a municipal official in another municipality or joint municipal authority for municipal official to manage subject to liability for acts in public office.

The agreement shall 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 authority

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

A joint municipal authority is a legal person that can acquire rights and make commitments and exercise the right to be heard in courts of law and by other public authorities.

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 a joint municipal authority

A charter shall include agreement on at least the following:

- 1) the joint municipal authority's name, domicile and member municipal authorities;
- 2) the functions of the joint municipal authority and if necessary, the transfer of the responsibility for organising services 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; (419/2021)

- 6) the member municipalities' share of the joint municipal authority's basic capital and assets, responsibility for its debts, and other matters concerning the finances of the joint municipal authority (419/2021);
- 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 municipalities have not approved an agreement under section 119, subsection 2 on balancing the joint municipal authority's finances;
- 11) the system for monitoring the finances and activities, and reporting to the member municipalities.

A charter may 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 municipal 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

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.

In the case of statutory joint responsibility, a member municipal 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**

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.

A joint municipal authority may also have other decision-making bodies agreed in the charter.

The composition of a joint municipal authority's decision-making bodies other than those referred to in subsection 1 shall be adjusted to correspond to the proportion of votes received within the joint municipal authority's area in municipal elections by the different groups represented on the municipal councils of member municipalities, in accordance with the proportionality principle laid down in the Election Act.

Section 59**Joint municipal authority council**

Joint municipal authority councils shall be subject to the provisions laid down on municipal councils.

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**

If a joint municipal authority's power of decision is exercised by a general assembly, the assembly shall convene at least twice a year.

Each member municipality's municipal executive or other decision-making body of the member municipality as decided by its municipal council shall elect a general assembly representative separately for each meeting.

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.

Public access to the general assembly shall be subject to the provisions of section 101 on the openness of municipal council meetings. The provisions of section 97 on the disqualification of municipal councillors shall apply to the disqualification of general assembly representatives.

Section 61

Joint municipal authority with a single decision-making body

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 municipal 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.

In a joint municipal authority with a single decision-making body, the member municipal authorities shall do at least the following:

- 1) elect members to the decision-making body referred to in subsection 1;
- 2) elect the members of the municipal audit committee and appoint a firm of authorised public accountants;
- 3) decide on approving the financial statements and granting discharge from liability as agreed in the charter. (419/2021)

The charter concerning a joint municipal authority with a single decision-making body shall 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 municipal authorities have not made corresponding decisions in a matter pertaining to the member municipal authorities' power of decision.

Section 62

Withdrawal from a joint municipal authority

A member municipality may 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 62a (419/2021)

Mergers of joint municipal authorities

Joint municipal authorities may merge by one or more joint municipal authorities merging with a receiving joint municipal authority established before the merger enters into force or the merging joint municipal authorities may form a new joint municipal authority. In a merger of joint municipal authorities, the merging joint municipal authority is dissolved without a liquidation procedure and its personnel, permits, assets, rights, liabilities and commitments are transferred to the receiving or new joint municipal authority when the merger enters into force.

The councils of the member municipalities of the joint municipal authorities participating in a merger decide on the merger by approving the merger agreement. Joint municipal authorities

participating in the merger means the merging joint municipal authority and the new and receiving joint municipal authority. The merger agreement shall set out the entry into force of the merger, the procedure to be used in the merger, the charter of the receiving or new joint municipal authority and the preparation of the new joint municipal authority's budget and financial plan. A provision in the merger agreement concerning the transfer of assets corresponds to a title deed to the assets.

The first budget and financial plan of the receiving or new joint municipal authority shall be approved in the receiving and merging joint municipal authorities. The last financial statements of the merging joint municipal authority shall be approved and discharge from liability granted in the receiving or new joint municipal authority.

Section 62b (419/2021)

Demergers of joint municipal authorities

Joint municipal authorities may demerge either entirely or partially into two or more new joint municipal authorities that will carry on operations or into two or more receiving joint municipal authorities that were established before the demerger enters into force. When a joint municipal authority demerges, its personnel, permits, assets, rights, liabilities and commitments are transferred without a liquidation procedure to the joint municipal authority carrying on operations when the merger enters into force. The division of assets, liabilities and obligations between joint municipal authorities shall not jeopardise the position of creditors and other rights-holders. When a joint municipal authority demerges entirely, the joint municipal authority is dissolved without a liquidation procedure.

The councils of the member municipalities of the joint municipal authorities participating in a demerger decide on the demerger by approving the demerger agreement. Joint municipal authorities participating in a demerger means the demerging joint municipal authority, a new joint municipal authority that will carry on operations and a receiving joint municipal authority. The demerger agreement shall set out at least the entry into force of the demerger, the procedure to be used in the demerger and the charters of the joint municipal authorities carrying on operations. It shall also set out provisions on the preparation of the last financial statements of the demerging joint municipal authority and on the organisation of information and document management. A

provision in the demerger agreement concerning the transfer to assets corresponds to a title deed to the assets.

The first budget and financial plan of the new joint municipal authority carrying on operation shall be approved in the demerging joint municipal authority. The last financial statements of the demerging joint municipal authority are approved and discharge from liability is granted in the joint municipal authorities participating in the demerger.

Section 63 (419/2021)

Resolution of disputes arising from an agreement

Disputes arising from agreements on cooperation between municipalities shall be resolved as matters of administrative litigation in an administrative court. Provisions on the procedure in matters of administrative litigation are laid down in the Administrative Judicial Procedure Act (808/2019).

Section 64

Application of provisions on municipalities in a joint municipal authority

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.

The provisions of section 10, subsection 2 do not apply to statutory joint responsibility among municipalities.

The provisions of section 34 on municipal 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 municipal executive of the joint municipal authority or by a member municipality.

The dismissal or transfer to other duties of the chief official of 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.

Management contracts made between a joint municipal authority and the chief official of the joint municipal authority shall be subject to the provisions of section 42 on management contracts.

(419/2021)

Chapter 9

Unincorporated municipal enterprise

Section 65

Unincorporated municipal enterprises and their functions

An unincorporated municipal enterprise may 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. An unincorporated municipal enterprise shall operate as part of the municipality or joint municipal authority. Establishing an unincorporated municipal enterprise requires a separately made decision.

An unincorporated enterprise shall be called an unincorporated enterprise established by a municipality when founded by a municipality and shall be called an unincorporated enterprise established by a joint municipal authority when founded by a joint municipal authority. The company's official Finnish and Swedish names shall include the words 'liikelaitos' and 'affärsverk', respectively (meaning 'unincorporated (municipal) enterprise'). A joint municipal authority established jointly by municipalities and joint municipal authorities for the purpose of maintaining an unincorporated municipal enterprise shall be called a business-based joint municipal authority. The official Finnish and Swedish names of such a company shall include the words 'liikelaitoskuntayhtymä' and 'affärsverkssamkommun', respectively (meaning 'business-based joint municipal authority').

The names unincorporated enterprise established by a municipality, unincorporated enterprise established by a joint municipal authority and business-based joint municipal authority may be used only by unincorporated municipal enterprises that are established as unincorporated enterprises in accordance with this Act.

The functions of an unincorporated enterprise established by a municipality or joint municipal authority shall be specified in the administrative regulations. The functions of a business-based joint municipal authority shall 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 shall include an 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

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, subsection 1, paragraph 5.

The general assembly's duties shall be subject to the provisions of section 60, subsection 3, paragraphs 1–2 and section 60, subsection 3, paragraphs 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, municipal audit committee and other decision-making bodies whose election has not been transferred to the management board in the administrative regulations.

Section 67

Management board

An unincorporated municipal enterprise shall have a management board.

The management board shall guide and oversee the activities of the enterprise. The management board shall be responsible for appropriately arranging the enterprises administration and operations and internal control and risk management.

The management board shall:

- 1) decide on the development of the unincorporated municipal enterprise's operations within the limits of the operating and financial targets set by the municipal council or the general assembly, and monitor and report on the achievement of these targets;
- 2) approve the unincorporated municipal enterprise's budget and financial plan by the end of the year in accordance with the binding targets set by the municipal council or the general assembly and the expenditure and income items;
- 3) draw up financial statements for the unincorporated municipal enterprise;
- 4) appoint and dismiss the unincorporated municipal enterprise's director, unless otherwise specified in the administrative regulations;
- 5) decide on the unincorporated municipal enterprise's capital expenditure and other long-term expenditures, unless otherwise specified in the administrative regulations;

Paragraph 6 was repealed by Act 419/2021.

- 7) oversee the unincorporated municipal enterprise's interests and, unless otherwise specified in the administrative regulations, represent the municipality and exercise its right to be heard within the enterprise's area of responsibility.

Other duties of the management board shall be specified in the administrative regulations.

The duties of the management board of a business-based joint municipal authority shall be subject to the provisions concerning the municipal 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.

The provisions of section 58, subsection 3 shall not apply to the composition of management boards of unincorporated municipal enterprises.

Section 68**Director**

An unincorporated municipal enterprise 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 enterprise in a role subordinate to the management board.

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****Elected officials of a municipality**

The elected officials of a municipality are its municipal 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 municipal officials 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.

Elected officials shall promote the interests of the municipality and its residents and act with dignity in their position of trust in a manner befitting the task.

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**

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 municipal councillor may be proposed as candidates for election to the municipal council.

Elected officials and persons standing as candidates for a position of trust other than that of municipal councillor shall, 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.

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 municipal council shall decide whether to accept the resignation of municipal 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 municipal councillors are being elected or when an election is being held for some other position of trust, have the right to vote in municipal elections in one of the municipalities; and
- 3) who have not been declared legally incompetent.

Section 72**Eligibility for election to the municipal council**

The following are not eligible for election to the municipal council:

- 1) public servants in central government who perform supervisory tasks concerned directly with municipal administration;
- 2) persons employed by the municipality who are in a position of leadership within an area of responsibility of the municipal executive or of a municipal 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 municipal 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.

Persons in the employment relationships referred to above are eligible for election as municipal councillors if this employment relationship ends before the municipal councillors' term begins.

Section 73

Eligibility for election to the municipal executive

Persons eligible for election to the municipal executive shall be those who are eligible for election to the municipal council, however, with the exception of:

- 1) persons employed by the municipality who are directly subordinate to the municipal 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 municipal executive;
- 3) persons employed by the municipality who, as presenting officer for a municipal committee or otherwise, are responsible for preparatory work on matters considered by the municipal executive;
- 4) persons who are members of the board of directors or of a comparable decision-making body, or in a position of leadership and 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 municipal executive could well cause this entity substantial advantage or disadvantage.

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 municipal 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.

A majority of the members of a municipal executive shall be persons other than employees of the municipality or of a corporate entity or foundation under the control of the municipality.

Subsection 1, paragraph 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

Persons eligible for election to a municipal committee or standing committee shall be those who are eligible for election to a municipal council, though with the exception of:

1) persons employed by the municipality who are subordinate to the municipal 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 municipal 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 and responsibility or a comparable position, in a corporate entity engaged in business activities if decisions on matters normally dealt with by the municipal committee in question could well cause this entity substantial advantage or disadvantage.

The provisions of section 73, subsection 2 shall apply to decision-making bodies that principally manage personnel matters.

Persons who are not eligible for election to the municipal executive or a municipal 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 the municipal audit committee

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

- 1) members of the municipal executive;
- 2) mayor and deputy mayors;
- 3) a person who is close to a municipal executive member, the chief executive, the mayor or a deputy mayor as referred to in section 28m subsections 2–3 of the Administrative Procedure Act (434/2003) concerning the grounds for disqualification;
- 4) persons employed by a corporate entity or foundation under the control of the municipality or serving as the managing director or in a similar position in a corporate entity or foundation under the control of the municipality; (419/2021)
- 5) persons who are not eligible for election to the municipal executive.

Section 76

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

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, subsection 1, paragraph 1 and persons in an employment relationship in the same joint municipal authority shall not be eligible for election.

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, subsection 1 if decisions on matters normally dealt with by the decision-making body could well cause this entity substantial advantage or disadvantage.

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

If an elected official forfeits eligibility for election, the decision-making body that elected the official shall declare the position of trust to be terminated. In the case of municipal councillors, the decision shall be made by the municipal council. The decision shall take effect immediately.

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 eligibility for election to a decision-making body. However, the official may not attend to a position of trust for the duration of the employment relationship.

Section 79**Holding a position of trust**

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 shall be appointed for the rest of the term.

An elected official chosen for a position of trust must continue attending to this position until the matter has been finally resolved if:

- 1) a request for a judicial review is made concerning the election of the official;
- 2) a resignation has not been accepted; or
- 3) the municipal executive, by virtue of section 96, has not put the municipal council's election decision into effect.

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

Persons who have consented to take up the position may be elected to a full-time or part-time position of trust.

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 the employer of this at least one month prior to returning to work.

In the case of leave of absence required in order to attend to a part-time position of trust, the elected official shall agree this with the 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 shall, on request, provide a written explanation of the reasons for refusal.

The municipal 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 municipal officials. The provisions of the Occupational Accidents, Injuries and Diseases Act (459/2015) concerning the employer and the employee shall apply correspondingly to municipalities, to both full-time and part-time elected officials. (419/2021)

Section 81

Right of elected officials to a leave of absence to attend to a position of trust

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.

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 municipal council group meeting, the elected official shall agree this with the employer.

Elected officials shall notify their employer of the meeting dates of the decision-making body and municipal council group, and of positions of trust specified by the municipality as soon as they become aware of them. The employer shall, on request, provide a written explanation of the reasons for refusal.

Section 82

Remuneration and compensation

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.

Elected officials may also be paid a fee for a fixed period and other separate fees.

On the basis of authorisation received from an elected official, the municipality may collect the elected officials charge referred to in section 31, subsection 1, paragraph 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 shall be notified in the municipality's financial statements.

Section 83

Right to information

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 non-disclosure provisions require otherwise.

Elected officials have the right to obtain from the municipality's municipal corporation management information that has been entrusted to it concerning the activities of municipal subsidiaries, unless non-disclosure provisions require otherwise.

Section 84

Declaration of private interests

A municipality's elected officials and municipal officials referred to in subsection 2 of this section shall 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.

The obligation to declare private interests applies to members of the municipal executive and of decision-making bodies managing tasks referred to in the Land Use Act (132/1999) or Building Act (751/2023), chairpersons and deputy chairpersons of the municipal council and of municipal committees, the chief executive, the mayor and deputy mayor, and presenting officers for the municipal executive and for municipal committees. The declaration shall be made within two months of the person being elected to the position. The person shall also declare without delay any changes that occur regarding private interests. (780/2023)

Subsection 2, as amended by Act 780/2023, enters into force on 1 January 2025.

Previous wording:

The obligation to declare private interests applies to members of the municipal 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 municipal council and of municipal committees, the chief executive, the mayor and deputy mayor, and presenting officers for the municipal executive and for municipal committees. The declaration shall be made within two months of the person being elected to the position. The person shall also declare without delay any changes that occur regarding private interests.

Declarations of private interests shall be submitted to the municipal audit committee, which shall oversee compliance with the obligation to declare and shall forward the declarations to the municipal council for its information. The municipal 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.

Municipalities shall maintain a register of private interests in a public information network, unless non-disclosure provisions 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 shall be removed from the register and from the information network.

Section 85 (1484/2016)

Wrongful acts in a position of trust

Elected officials shall be subject to liability for acts in public office and are governed by the provisions of the Criminal Code (39/1889) concerning offences in public office.

If there is cause to suspect that an elected official has, in a position of trust, committed an offence in public office or otherwise acted contrary to the elected official's obligations, the municipal executive shall demand an explanation from the party in question and, if necessary, notify the municipal council of the matter. If an offence in public office has manifestly been committed, the offence shall be reported without delay.

The municipal council may suspend an elected official for the duration of the investigation or court proceedings unless the person has resigned from the position of trust. Before the municipal council meets, the council's chairperson may make an interim decision concerning suspension. A suspension decision may be put into effect immediately.

The municipal council shall suspend an elected official from the position of trust for the duration of the investigation or court proceedings concerning a suspected offence in public office if this is necessary to safeguard the credibility and reliability of municipal decision making taking into consideration the seriousness and possible repeated nature of the suspected offence as well as other factors. A suspension decision may be put into effect immediately.

When preparing a decision in accordance with subsection 3 or 4, the municipal authority shall have the right to receive the notice of the initiation of the criminal investigation referred to in chapter 3, section 6 of the Criminal Investigation Act (805/2011) relating to an offence in public office suspected to have been committed by an elected official.

Section 86

Criminal acts outside a position of trust

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 the position of trust in the required manner, the municipal council may suspend the elected official for the duration of the court proceedings. A suspension decision may be put into effect immediately.

If an elected official is sentenced to imprisonment for at least six months under a final judgment after being elected, the municipal council may remove the elected official from the position of trust. The decision shall take effect immediately.

Chapter 11

Personnel

Section 87

Municipal personnel

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.

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 tasks. 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

The establishment or discontinuation of public posts shall be decided by the municipal council or by some other municipal decision-making body specified in the administrative regulations.

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 municipal official work in a contractual employment

relationship under at least the previous employment relationship terms and conditions and has provided the municipal official with a written explanation of the main terms and conditions of work as referred to in chapter 2, section 4 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

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 municipal executive;

c) the personnel organisation;

d) financial management;

e) auditing of administration and finances;

f) internal control, risk management and contract management; (419/2021)

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 municipal 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 minutes;
- k) signing of documents;
- l) arranging information management and document management; (419/2021)
- 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 municipal council:

a) municipal council meeting procedure;

b) calling in a deputy councillor to replace a municipal councillor;

c) handling initiatives from municipal councillors;

d) municipal council groups formed for municipal councillors to conduct council business;

e) participating in meetings and sending invitations to meetings by electronic means;

f) the length of time a municipal councillor may speak on individual matters if this is necessary to ensure the progress of meetings.

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 secured in the municipality's administration.

In addition to the provisions in subsection 1, the administrative regulations shall contain the necessary provisions on the administration and organisation of operations, decision-making and administrative procedures, and on the functioning of the municipal council in emergency conditions and during incidents under normal conditions. (199/2023)

Section 90a (292/2020)

Section 90a was temporarily in force from 1 May 2020 to 31 July 2020 under Act 292/2020.

Section 91

Delegation of powers

The municipal council may, in its administrative regulations, delegate powers to other municipal decision-making bodies and to elected officials and municipal officials. However, powers may not be delegated in matters on which the municipal council is required to take a decision under a specific provision of this Act or elsewhere in the law.

The municipal council may, in its 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.

Powers in matters involving the use of administrative enforcement may be delegated only to decision-making bodies.

Section 92

Referring matters for consideration by a higher decision-making body

The municipal executive, the chairperson of the municipal executive, the chief executive and any municipal officials specified in the administrative regulations may take for consideration by the municipal executive any matters that have been transferred under this Act to the jurisdiction of an authority subordinate to the municipal executive or of a sub-committee of the municipal executive and on which the authority in question has made a decision.

The administrative regulations may stipulate that the right referred to in subsection 1 shall correspondingly apply to municipal committees, their chairpersons and any municipal officials specified in the administrative regulations in matters transferred to the jurisdiction of an authority subordinate to the relevant municipal committee or of a sub-committee of the municipal committee, unless the municipal executive, the chairperson of the municipal executive, the chief executive or a municipal official specified in the administrative regulations referred to in subsection 1 has stated that the matter is to be taken for consideration by the municipal executive.

The administrative regulations may stipulate that a management board of an unincorporated municipal enterprise, its chairperson or a municipal official may take for consideration by the

enterprise's management board a matter that has been transferred under this Act to the jurisdiction of an authority subordinate to the enterprise's management board and on which the authority in question has made a decision. A matter cannot therefore be taken for consideration by a municipal committee to which the enterprise's management board is subordinate. If it has been decided to take the matter for consideration by both the enterprise's management board and the municipal executive, the matter shall be considered by the municipal executive.

Matters shall be taken for consideration by a higher decision-making body by the deadline within which a request for an administrative review referred to in section 134 is required to be made.

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 municipal council matters

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

Section 94

Convening the municipal council

The municipal council shall convene at times determined by itself and also whenever the council chairperson considers this necessary.

The municipal council shall also be convened if so requested by the municipal executive or by at least a quarter of municipal councillors for the purpose of considering a stated matter. Such matters shall be prepared urgently.

The municipal council shall be convened by the chairperson. The meeting notice for the first meeting of the municipal council shall be issued by the chairperson of the municipal executive, and the meeting shall be opened by the eldest municipal councillor present, who shall direct the proceedings until the chairperson and deputy chairpersons of the municipal council have been elected. The meeting notice shall declare the matters to be dealt with.

The meeting notice shall be sent at least four days before the meeting. At the same time, information about the meeting shall be provided in a public information network. Meeting notices may 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 the municipal council

The municipal council may deal with matters mentioned in the meeting notice and which have been prepared in the manner referred to in section 93.

If a matter is urgent but was not mentioned in the meeting notice, the municipal 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 the legality of municipal council decisions

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

Section 97**Disqualification**

A municipal councillor shall be disqualified from considering in the municipal council any matter that concerns the councillor personally or a person close to the councillor referred to in section 28, subsections 2–3 of the Administrative Procedure Act. If a municipal councillor gets involved in the consideration of a matter in another decision-making body, the municipal councillor shall be subject to the disqualification provisions concerning members of that decision-making body.

Provisions on the disqualification of other elected officials, auditors and the municipality's municipal officials and employees are laid down in sections 27–30 of the Administrative Procedure Act.

An employment relationship with the municipality as referred to in section 28, subsection 1, paragraph 4 of the Administrative Procedure Act shall not, however, disqualify elected officials, municipal officials or employees in matters in which the municipality is an interested party. However, if on the basis of an elected official's employment relationship, the elected official has presented a matter or otherwise dealt similarly with a matter, the elected official shall be disqualified.

Section 28, subsection 1, paragraph 5 of the Administrative Procedure Act does not apply to elected officials, municipal officials or employees of a municipality, even when these persons are in a position referred to in said section of the Act in an unincorporated municipal enterprise or joint municipal authority. However, disqualification does apply if the interests of the municipality are in conflict with those of the enterprise or joint municipal authority or the impartial consideration of a matter requires that the person does not take part in such consideration. Nor shall section 28, subsection 1, paragraph 6 of the Administrative Procedure Act apply to municipalities.

Persons who are subject to disqualification in a matter shall declare this. Persons shall 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 bodies**

Matters pertaining to a decision-making body may be decided at an actual meeting, at a meeting taking place in an electronic environment (*an electronic meeting*) or by electronic means prior to a meeting (*electronic decision-making procedure*).

At electronic meetings and in the electronic decision-making procedure, the municipality shall take care of information security and ensure that information to be kept secret is not accessible by outsiders.

Section 99 (419/2021)**Electronic meetings**

Electronic meetings may be held using a video conferencing or another suitable technical data transmission method that:

- 1) enables the chairperson and secretary of the meeting to reliably ascertain the participants in the meeting;
- 2) enables the chairperson of the meeting to lead the meeting in the manner referred to in section 102;
- 3) enables the participants to follow the course of the meeting and participate in the deliberations.

Section 99a (292/2020)

Section 99a was temporarily in force from 1 May 2020 to 31 May 2021 under Act 292/2020.

Section 100**Electronic decision-making procedure**

With the exception of public meetings of the municipal council and of other decision-making bodies, the decision-making of decision-making bodies may take place in a closed electronic decision-making procedure.

The matters to be considered shall be specified in the meeting notice and the time by which the matter is to be considered in the electronic decision-making procedure shall be stated. The consideration of the matter is completed when all the members of the decision-making body 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.

The official record of the decisions made in the electronic decision-making procedure may be examined before the meeting.

Section 101**Openness of meetings**

Municipal 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 municipal council, for an important reason, decides otherwise in some matter.

Documents presented at a closed meeting of a municipal council and documents drawn up on the discussions at such a session shall be kept secret if the law so provides.

Meetings of decision-making bodies other than the municipal 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.

The general public shall be able to follow a meeting of a decision-making body that is open to public access, including any participation occurring by electronic means.

Section 102**Chairing of meetings and addressing meetings**

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 shall urge the person to behave in an appropriate manner. If the person does not comply, the chairperson may order the person to leave. If disorder ensues, the chairperson shall suspend or close the meeting.

Members of the decision-making body have the right to speak on matters that are being discussed. When speaking, members shall adhere to the matter in question. If the member diverges from the matter when speaking, the chairperson shall urge the speaker to return to the matter in question. If the speaker does not comply, the chairperson may forbid the speaker 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 the speaker from continuing to speak.

Section 103**Quorum**

The municipal council is quorate when at least two thirds of the municipal councillors are present.

A decision-making body other than the municipal council is quorate when more than half its members are present.

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**

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.

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

In elections, the person or persons receiving the most votes shall be elected.

Elections of elected officials shall be proportional if so demanded by at least a minimum number of the members of the decision-making body 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.

Deputy members shall be elected in the same election as members. Where deputy members are personal deputies, the candidates shall be approved before the election and the candidates shall comprise both the member and the 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.

When a proportional election is held, the provisions of the Election Act on municipal elections shall apply. The municipal council may also issue regulations on the holding of elections. Proportional elections, and also elections by majority if required, shall be by secret ballot. In the event of a tie, the election shall be decided by lot.

In electronic meetings, an election may be held by secret ballot only if voting secrecy is secured.

Section 106

Dissenting opinions

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 shall be declared as soon as the decision is taken. Written justifications presented before examination of the minutes shall be attached to the minutes.

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

Minutes

Minutes shall be taken at meetings of decision-making bodies.

An official record shall be made of decisions taken by elected officials and municipal officials, unless the nature of the decision renders this unnecessary.

Section 108

Municipal announcements

Municipal announcements shall be issued by publishing them in a public information network, unless non-disclosure provisions require otherwise, and, if necessary, in some other manner decided by the municipality.

The announcements shall remain in a public information network for 14 days, unless the nature of the matter requires otherwise. Any personal data contained in the announcements shall 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 organised by a municipality and about the municipality's activities shall be published in a public information network. At least the following information shall be available in a public information network:

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

Chapter 12a (1484/2016)

Investigation procedure concerning a municipality in exceptional administrative difficulties

Section 109a (1484/2016)

Investigation procedure concerning a municipality in exceptional administrative difficulties

If the administration and activities of a municipality are in exceptionally large difficulties, which the municipality cannot cope with its own efforts, the Ministry of Finance may, after hearing the views of the municipality, appoint an investigator or investigation group to investigate the municipality's governance.

A precondition for appointing an investigator or investigation group is that:

- 1) a criminal investigation has been initiated in respect of a serious offence in public office or of several offences in public office suspected to have been committed by a municipal authority or by several members of a municipal decision-making body and the municipality has not taken adequate measures to render the municipality's governance to comply with the law;
- 2) there is another justifiable reason to suspect that municipal authorities or members of a decision-making body have materially or repeatedly acted unlawfully or neglected their statutory obligations and the municipality has not taken adequate measures to render the municipality's governance to comply with the law.

The investigator or investigation group shall present a proposal for actions necessary to render the municipality's governance to comply with this Act and other laws. After receiving the proposal for actions from the investigator or investigation group, the municipal council shall handle them without undue delay and report the decision thereon to the Ministry of Finance.

If the investigator or investigation group has proposed that an elected official or elected officials be suspended from their positions of trust under the grounds laid down in section 85, subsection 4 for the duration of the investigation or court proceedings concerning a suspected offence in public office committed in a position of trust and the municipal council has not acted in this manner, the Ministry of Finance may, after hearing the municipal council and the elected official in question decide on the matter if the suspension from office is necessary in order to render municipal decision-making to comply with the law and to safeguard the credibility and reliability of the municipal decision-making taking into consideration the seriousness and possible repeated nature of the suspected offence as well as other factors. The decision of the Ministry of Finance may be enforced immediately.

Section 109b (1484/2016)**Investigator and members of the investigation group**

An investigator and an investigation group referred to above in section 109a shall have the legal expertise required by the task. The investigator and the members of the investigation group shall, in their tasks, be independent of the municipality and the Ministry of Finance.

In attending to their duties in accordance with this Act, the investigator and the members of the investigation group shall be governed by the provisions on criminal liability in public office as well as the provisions of the Tort Liability Act (412/1974) on liability in damages of public corporations and public officials.

Notwithstanding non-disclosure provisions, an investigator and a member of an investigation group shall have the right to obtain from the authorities the information on the administration and finances of municipalities and of corporations belonging to a municipal authority corporation necessary for attending to their task.

Section 109c (1484/2016)**Right of the Ministry of Finance to obtain information on the initiation of a criminal investigation**

When preparing the appointment of an investigator or an investigation group referred to in section 109a and a suspension from a position of trust, the Ministry of Finance shall have the right to receive the notice of the initiation of a criminal investigation referred to in chapter 3, section 6 of the Criminal Investigation Act of an offence in public office suspected to have been committed by an elected official.

PART VI
FINANCES

Chapter 13
Municipal finances

Section 110
Budget and financial plan

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

The budget and financial plan shall 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 municipal authority corporation shall be approved in the budget and financial plan.

The financial plan shall be in balance or in surplus. The balance of the financial plan may take into account the estimated surplus in the balance sheet of the year the budget was drafted. A deficit in the municipality's balance sheet shall be covered within no more than four years from the start of the year following adoption of the financial statements. Any deficit accrued during the year the budget was drafted or thereafter shall also be covered within this time limit. The deficit of a new municipality referred to in the Municipal Structure Act shall be covered within no more than four years from when the change in the municipal division entered into force. In its financial plan, the municipality decides on the specific measures for covering the deficit during the stated period.
(419/2021)

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 have a section covering operational finances and an income statement, and a section on investment and financing.

The budget shall be adhered to in the municipality's activities and financial management.

The deficit coverage obligation, provided in subsection 3 above, shall also apply to joint municipal authorities.

Section 110a (883/2020)

Extension of the time limit to cover deficits due to financial difficulties caused by the COVID-19 epidemic

If a municipality is unable to cover the deficit in its balance sheet within the period laid down in section 110, subsection 3 due to exceptional and temporary financial difficulties caused by the COVID-19 epidemic, the Ministry of Finance may decide upon the application of the municipality decide that the deficit shall be covered within six years from the start of the year following adoption of the financial statements. In such a case, the assessment procedure in a municipality referred to in section 118 and the assessment procedure in a joint municipal authority referred to in section 119 may, in deviation from the provisions of section 118, subsection 2, not be started until the period referred to in this subsection has expired.

A municipality may submit the application referred to in subsection 1 at the earliest in June of the year preceding the end of the period for covering the deficit laid down in section 110, subsection 3 and shall submit the application by the end of August of the year in which the period for covering the deficit ends. However, if the period for covering the deficit ends in 2020, the application shall be submitted by the end of 2020. The application shall include a report of the economic effects that the COVID-19 epidemic had on the municipality and a plan for measures to balance the municipality's finances.

The municipality shall draft its budget and financial plan in a way that implements the council's decisions on measures to cover the deficit during the period laid down in subsection 1. An account of the implementation and sufficiency of measures taken during the financial year shall be given in the annual report. The municipality shall submit the account to the Ministry of Finance by the end of June of the year following the accounting period.

The provisions of subsections 1–3 on municipalities shall also apply to joint municipal authorities.

Section 110a as added by Act No 883/2020 is in force on a temporary basis from 1 December 2020 to 31 December 2025.

Section 111

Decisions on taxes

The municipal council shall determine the municipality's rate of municipal income tax, rates of real estate tax and the basis for other taxes no later than when the budget is approved.

Section 112 (1368/2019)

Accounting

In addition to the provisions of this Act, the provisions of the Accounting Act shall be applied to the accounting obligation, accounting and financial statements of a municipality. The municipal subcommittee of the Finnish Accounting Board issues instructions and opinions on the application of the Accounting Act and sections 113–116 and section 120, subsection 1, paragraphs 3 and 4 of this Act and of the decree issued under subsection 2 of this section.

Further provisions on the balance sheet, income statement and cash flow statement, with appended notes, that comprise the financial statements and on the budget review and management report, consolidated financial statements, with appended notes, and interim reports may be issued by government decree. In addition, provisions on service-specific financial information may be issued by government decree.

Section 113

Financial statements

The accounting period for municipalities shall be the calendar year. The municipal executive shall prepare financial statements for the accounting period by the end of March of the year following that accounting period and submit these to the auditors for auditing. The auditors shall audit the financial statements by the end of May. After the audit, the municipal executive shall submit the

financial statements for consideration by the municipal council. The municipal council shall consider the financial statements before the end of June.

The financial statements comprise a balance sheet, income statement and cash flow statement, with appended notes, and a budget review and management report.

The financial statements shall provide true and fair view of the municipality's financial result, financial position, financing and activities in accordance with the principle of materiality. Additional information necessary for this purpose shall be reported in the notes appended to the financial statements. (175/2019)

The financial statements shall be signed by the members of the municipal executive and the chief executive or the mayor.

Section 114

Consolidated financial statements

Municipalities which with their subsidiaries constitute a municipal authority corporation shall draw up consolidated financial statements and include these in the municipality's financial statements. The consolidated financial statements shall be drawn up on the same date as the municipality's financial statements.

The consolidated financial statements shall combine the balance sheets and income statements and appended notes of the municipal authority corporation's constituent entities. The consolidated financial statements shall also include the consolidated cash flow statement, which shall contain information on the municipal authority corporation's acquisition and use of assets during the accounting period.

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 shall include in its financial statements information that corresponds to that of consolidated financial statements.

Section 115**Management report**

The management report shall give an account of the extent to which the operating and financial targets set by the municipal council have been achieved in the municipality and the municipal authority corporation. The management report shall also provide information on any important matters connected with the finances of the municipality and the municipal 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.

If the municipality's balance sheet has an uncovered deficit, the management report shall 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.

In the management report, the municipal executive shall present a proposal for dealing with the surplus/deficit for the period.

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

Municipal subsidiaries and joint municipal authorities shall provide the municipal executive with the information necessary for assessing the municipal 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 (175/2019)**Assessment procedure concerning municipalities in a very difficult financial position**

If at least one of the conditions referred to in subsections 2 and 3 for the assessment procedure of a municipality in a very difficult financial position is met, the municipality and the central government shall together examine the municipality's possibilities to secure the services for its residents that are required by legislation and take measures to ensure the preconditions for the services.

The assessment procedure may be started if a municipality has not covered the deficit in its balance sheet within the period laid down in section 110, subsection 3.

The assessment procedure may also be started if the latest consolidated financial statement of the municipality shows a deficit of at least EUR 1,000 per resident and the preceding financial statement a deficit of at least EUR 500 per resident, or if the financial key figures for finance adequacy or solvency have reached the following limits in two successive years:

- 1) the ratio between the annual contribution margin and the depreciations falls below 80 percent in the consolidated income statement of the municipality;
- 2) the municipality's rate of municipal income tax is at least 2.0 percentage points higher than the weighted average rate of municipal income tax of all municipalities;
- 3) the amount of the loans and rental liabilities in the consolidated financial statement of the municipality per resident exceeds the average amount of loans and rental liabilities in the consolidated financial statements of all municipalities by at least 50 percent;
- 4) the computational loan coverage ratio of the consolidated financial statement falls below 0.8 percent.

The key figure limits referred to in subsection 3 shall be calculated annually based on the consolidated financial statement data kept by State Treasury and the rate of municipal income tax confirmed by the municipality. The annual contribution margin referred to in subsection 3, paragraph 1 shall be calculated without the discretionary increase in central government transfers

to municipalities granted under section 30 of the Act on Central Government Transfers to Local Government for Basic Public Services (1704/2009). In addition, the computational loan coverage ratio in the consolidated financial statements referred to in subsection 3, paragraph 4 shall be calculated using a formula where interest income is added to the annual contribution margin of the consolidated income statement and the resulting amount is divided by the amount of interest income and computational loan repayments. The computational loan payments shall be arrived at by dividing the amount of loans on the consolidated balance sheet by eight. (1368/2019)

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.

The municipal council shall consider the group's proposed measures and inform the Ministry of Finance of its decision on them for the purpose of any further action. The budget and financial plan shall ensure the implementation of the council's decisions regarding measures. An account of the implementation and sufficiency of measures taken during the financial year shall be given in the management report. The municipality shall inform the Ministry of Finance of the report by the end of June of the year following the accounting period. (419/2021)

Based on the group's proposed measures and the decisions of the municipal council, the Ministry of Finance shall make a decision on the need for a special report referred to in the Municipal Structure Act for the purpose of redetermining municipal boundaries. The decision on the need for a special report may also be made without launching a new assessment procedure if the measures have not been implemented and the conditions laid down in subsection 2 or 3 are met. (419/2021)

The Act on Central Government Transfers to Local Government for Basic Public Services (1704/2009) was repealed by Act 618/2021, see section 27 of the Act on Central Government Transfers to Municipalities for Basic Public Services (618/2021).

Section 119**Assessment procedure in a joint municipal authority**

If a joint municipal authority has not covered the deficit in its balance sheet within the period laid down in section 110, subsection 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 shall consult the joint municipal authority and the member municipalities.

The decision-making body exercising the highest power of decision in the joint municipal authority and the municipal 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, subsection 1. The Ministry of Finance shall be informed of the agreement. The budgets and financial plans of the joint municipal authority and member municipalities shall be drafted in such a way that they implement the agreement. An account of the implementation and sufficiency of the agreement during the financial year shall be given in the joint municipal authority's annual report. The joint municipal authority shall inform the Ministry of Finance of the report by the end of June of the year following the accounting period. (419/2021)

Section 120**Finances of unincorporated municipal enterprises**

The finances of unincorporated municipal enterprises shall be governed by the provisions concerning municipal finances, but in such a way that:

1) the budget and financial plan of an unincorporated enterprise established by a municipality or joint municipal authority shall be drawn up as a separate part of the municipality's or joint municipal authority's budget and financial plan;

Paragraph 2 was repealed by Act 419/2021.

3) the accounting of an unincorporated enterprise established by a municipality or joint municipal authority shall be differentiated in the municipality's or joint municipal authority's accounting;

4) separate financial statements for the accounting period shall be drawn up on the activities of an unincorporated enterprise established by a municipality or joint municipal authority and submitted for inspection by the auditors and brought for consideration by the municipal executive of the municipality or of the joint municipal authority;

5) the financial statements of an unincorporated municipal enterprise shall be signed by the management board members and the enterprise's director;

Paragraph 6 was repealed by Act 419/2021.

7) the management board shall present information in the management report about the treatment of the enterprise's surplus/deficit for the period.

Subsection 2 was repealed by Act 419/2021

Section 120a (419/2021)

Production and reporting of information on the operation, finances and service provision of a municipality

A municipality shall produce information on the municipality's operations and finances for the guidance, management and monitoring of the municipality's operations, administration and finances and for ensuring opportunities for the residents and service users of the municipality to participate and exert an influence.

Notwithstanding non-disclosure provisions, a municipality shall report the financial statements, interim reports and costs information referred to in section 112 and the financial information required to be reported regularly elsewhere in law or under an act to the State Treasury in a form required by interoperability. The municipality is responsible for the accuracy of the information it reports. Further provisions on the information to be produced and on the method and time of producing and reporting the information may be issued by government degree.

The Ministry of Finance is responsible for arranging the cooperation necessary for determining the detailed information content and technical specifications required for interoperability.

Representatives of the municipalities and of ministries and other government agencies tasked by the legislation of their branch of government to determine the concepts and specifications to be used in the monitoring and reporting of municipal finances shall participate in the cooperation. On the basis of this cooperation, detailed provisions on the information content and technical specifications to be applied to the reporting of information during the next financial year will be issued annually by a decree of the Ministry of Finance.

Separate provisions are laid down on other sector-specific information to be produced for the monitoring, supervision and guidance of a municipality's operations.

Chapter 14

Auditing administration and finances

Section 121

Municipal audit committee

Municipal councils shall set up a municipal audit committee to arrange audits and assessments of the administration and finances. The committee's chairperson and deputy chairperson shall be municipal councillors.

The municipal audit committee shall:

- 1) conduct preparatory work on matters for the decision of the municipal council concerning audit of the administration and finances;
- 2) assess the extent to which the operating and financial targets set by the municipal council have been achieved in the municipality and the municipal 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 municipal council;
- 6) draw up proposals for the municipal executive concerning provisions in the administrative regulations covering the committee's tasks and for the auditing budget.

The municipal executive may deviate from the municipal 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.

The municipal audit committee shall draw up an assessment plan and submit to the municipal council an assessment report on each year, in which the assessment results shall be presented. The municipal council shall consider the assessment report in conjunction with the financial statements. The municipal audit committee may provide the municipal council with other documents regarding the assessment results if the committee deems this necessary.

The municipal executive shall provide the municipal council with a statement on the measures arising from the assessment report.

Section 121a (419/2021)

Section 121a was repealed by Act 419/2021.

Section 122

Audit

The municipal council shall appoint an audit firm for the audit of administration and finances. A corporation shall appoint a chartered public finance auditor as the responsible auditor. The auditor shall, in the auditor's duties, be subject to liability for acts in public office. (1236/2015)

The auditor appointed for a municipal subsidiary shall be the municipality's audit firm, unless deviation from this would be justified on grounds related to arrangement of the audit.

An audit firm may, at any one time, be appointed to audit the administration and finances for a period comprising no more than six accounting periods.

The auditors shall be able to perform impartial and sufficiently extensive audits. If the preconditions for an impartial audit do not exist, the auditor shall refuse to accept the assignment or abandon it.

Persons who, under section 75, are not eligible for election to a municipal audit committee may not act as auditors.

Section 123

Duties of auditors

The auditors shall 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 shall examine whether:

- 1) the administration of the municipality has been carried out in accordance with the law and the decisions of the municipal council;
- 2) the municipality's financial statements and the consolidated financial statements provide, in accordance with the provisions and regulations on the preparation of financial statements, true and fair view of the municipality's financial result, financial position, financing and activities;
- 3) the information provided about the basis for central government transfers to the municipality is correct;
- 4) the internal control and risk management of the municipality and oversight of the municipal authority corporation have been properly arranged.

The auditors shall follow any instructions issued by the municipal council or the municipal audit committee, unless these conflict with the law or with the administrative regulations or good auditing practice in public administration.

Any material irregularities found by the auditors shall be notified without delay in the audit records to be given to the municipal executive. The municipal audit committee shall be informed of the audit records.

Section 124

Municipal audit committee's and auditors' right to information

Notwithstanding non-disclosure provisions, a municipal 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.

Notwithstanding non-disclosure provisions, the auditors have the right to obtain information and view documents from municipal authorities and from corporate entities and foundations forming part of a municipal authority corporation where the auditors consider this necessary for the performance of audit duties.

Section 125

Auditors' report and its consideration

The auditors shall provide the municipal council with a report for the respective accounting period in which the results of the audit shall be presented. The report shall also state whether the financial statements can be approved and whether the members of the decision-making bodies and the senior municipal officials for the relevant areas of responsibility of the decision-making bodies (parties liable to render accounts) can be discharged from liability.

If the auditors find that the municipality's administration and finances have been managed contrary to the law or to decisions of the municipal council, and the error or the damage caused is not of a minor nature, the party liable to render accounts shall be admonished in the auditors' report. The municipal council may not be admonished.

The municipal audit committee shall procure from the party concerned an explanation regarding the admonishment made in the auditors' report and a statement from the municipal executive. The municipal council shall decide on any necessary action on the basis of the preparatory work by the municipal audit committee, the auditors' report and admonishments made in the report. When approving the financial statements, the municipal 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

When a municipality carries out functions referred to in section 7 in a competitive market environment, it shall assign these to a limited liability company, cooperative, association or foundation to perform (*corporatisation obligation*).

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 organise 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 organised 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 in-house entity referred to in section 15 or of another contracting

entity referred to in section 16 of the Procurement Act or of an in-house entity referred to in section 25 or of another contracting entity serving as a public authority referred to in section 26 or of an affiliated undertaking referred to in section 27 of the Act on Public Contracts in the Utilities Sector or if a competitive tendering obligation does not otherwise apply to the cooperation;
(1411/2016)

4) if the municipality is organising 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 Act or the Building Act. (780/2023)

Paragraph 6 as amended by Act 780/2023 enters into force on 1 January 2025.

Previous wording:

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.

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 organising education services or other tasks specified in the licence as referred to in subsection 2, paragraph 4.

Section 127

Exceptions to the corporatisation obligation

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 in-house entity referred to in section 15 of the Procurement Act or for an in-house entity referred to in section 25, an affiliated undertaking referred to in section 27 or for a joint undertaking referred to in section 28 of the Act on Public Contracts in the Utilities Sector; (1411/2016)
- 5) the municipality is renting business premises primarily for use in its own activities and for subsidiaries forming part of the municipal 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 municipal subsidiary; or
- 7) the activities are directly 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).

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 shall adopt market-based pricing for their activities.

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

A loan, guarantee or other security granted by a municipality shall not put at risk the municipality's ability to fulfil the responsibilities laid down for it by law. Municipalities may not grant a loan, guarantee or other security if this incorporates a significant financial risk. The municipality's interests shall be safeguarded with security or counter-security of sufficient coverage. The provisions of this subsection on securities do not apply to a capital loan referred to in chapter 12 of the Limited Liability Companies Act (624/2006) or in chapter 12 of the Cooperatives Act (421/2013). (419/2021)

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

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 Act on the Promotion of Sports and Physical Activity (1054/1998), the Municipal Cultural Activities Act (166/2019), the Museums Act (314/2019), the Theatres and Orchestras Act (730/1992) or the Youth Act. The preconditions for granting a guarantee or other security shall, however, be subject to the provisions laid down separately thereon. 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. (419/2021)

Municipalities shall also take into account the provisions of Articles 107 and 108 of the Treaty on the Functioning of the European Union.

The Municipal Cultural Activities Act 728/1992 was repealed by the Municipal Cultural Activities Act 166/2019.

Section 130**Specification of disposal of real estate owned by a municipality or of marked-based leases**

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 shall be open and it shall be sufficiently well publicised.

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 shall assess the real estate's market value or the market-based rent.

Municipalities shall 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**

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 service provider operating in a competitive market environment if the operation of the market is inadequate. Before imposing the service obligation, the municipality shall ascertain whether the operation of the market is adequate.

The service obligation shall be imposed in writing and it shall specify the main terms concerning service provision and the determination of compensation. The compensation payable to secure the service shall also take into account the provisions of the European Commission's legislation on State aid and general economic interest.

The service provider shall be selected in an open and non-discriminatory procedure. If the service obligation meets the definition of a procurement agreement or a concession contract laid down in the Procurement Act, the selection of the services provider shall comply with the procedure provided in said act. (1411/2016)

Section 132 (419/2021)**Application of the 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**Request for an administrative review and request for a judicial review of the decision of a municipal authority****Section 133****Application of the provisions of this chapter**

The provisions of this chapter shall apply to submitting a request for an administrative review of the decision and submitting a request for a judicial review of the decision of a municipal authority relating to a decision made by a public authority of a municipality or joint municipal authority, unless otherwise separately provided by law. Section 134 shall not apply if a request for a judicial review of the decision of a municipal authority can be made under some other act.

Section 134**Request for an administrative review**

Any party dissatisfied with the decision of a municipal executive, municipal committee or standing committee or of their sub-committees, or of a public authority subordinate to these may request an administrative review.

A request for an administrative review of 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 request for an administrative review of a decision made by the management board of an unincorporated municipal enterprise as referred to in section 67, subsection 3 or by the management board of a business-based joint municipal authority as

referred to in section 67, subsection 5 shall be submitted to the management board that made the decision. If the administrative regulations specify under section 92 that a decision may be placed before the enterprise's management board, a request for an administrative review of a decision made by the management board or by a subordinate public authority shall be submitted to the management board. A request for an administrative review shall be dealt with urgently.

If the municipal 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 municipal executive, any request for an administrative review of this decision shall be dealt with by the municipal executive.

Section 135

Request for a judicial review of the decision of a municipal authority

A request for a review of a decision of a municipal council or of a joint municipal authority's decision-making body referred to in section 58, subsection 1, or of a decision issued by the municipal executive, a municipal committee or a management board as a result of the request for an administrative review, shall be made by submitting a request for a judicial review of the decision of a municipal authority to the administrative court.

A request for a judicial review 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.

The appellant shall state the grounds for the judicial review referred to in subsection 2 before the appeal period expires.

Section 136**Eligibility for administrative review and judicial review**

Requests for an administrative review and requests for a judicial review of 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 administrative review and right to judicial review**

Requests for an administrative review and requests for a judicial review of 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.

In the case of decisions made by a public authority of a joint municipal authority, a request for an administrative review and a request for a judicial review of the decision of a municipal authority 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.

When a decision is issued as a result of a request for an administrative review, any request for a judicial review of the decision of a municipal authority may be made only by the party that made the request for an administrative review. If a decision changes as a result of a request for an administrative review, request for a judicial review of the decision of a municipal authority may also be made by a party that is entitled under subsections 1 or 2 to submit such a request.

Section 138**Period for requests for an administrative review and requests for judicial review**

A request for an administrative review shall be submitted within 14 days, and a request for a judicial review of 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 governed by 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**

Minutes of a municipal council, municipal executive or municipal committee, or of a joint municipal authority's decision-making body referred to in section 58, section 1, and appended instructions concerning requests for an administrative review and instructions for requests for judicial review shall, after being examined, be kept available for inspection in a public information network, unless non-disclosure provisions require otherwise. If a matter is non-disclosable information in its entirety, the minutes shall only include mention of the consideration of a non-disclosable matter. Personal data contained in minutes shall consist only of that which is essential for notification purposes. Personal data contained in minutes shall be removed from the information network at the end of the period for requests for an administrative review and for requests for judicial review.

Minutes 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.

Natural and legal persons resident in a municipality and municipalities referred to in section 137, subsection 2 are considered to have been notified of decisions seven days after the minutes became available for inspection in a public information network.

Section 141**Instructions for requesting an administrative review and instructions for requesting a judicial review**

Instructions for requesting an administrative review must be appended to decisions on which such claims may be made.

Instructions for requesting a judicial review must be appended to decisions on which requests for a judicial review of the decision of a municipal authority may be submitted.

A notice of prohibition of request for review must be appended to decisions on which neither a request for an administrative review nor a request for a judicial review of the decision of a municipal authority decision is permitted. The notice shall state the legal provision on which the prohibition is based.

Section 142 (1575/2019)**Further request for a judicial review**

Requests for a judicial review of an administrative court decision may be submitted to the Supreme Administrative Court, if the Supreme Administrative Court grants leave to appeal. The municipality, joint municipal authority or relevant municipalities shall, without delay, publish a notice of the decision in a public information network, unless non-disclosure provisions require otherwise. Personal data contained in the decision shall be removed from the information network at the end of the judicial review period.

The appeal period shall begin when the notice of the decision has been published. However, if an interested party is notified separately of a decision, the appeal period shall begin from this notification.

The provisions of the Administrative Judicial Procedure Act (808/2019) apply to a municipality's right to a judicial review of an administrative court decision. The provisions of section 39 of this Act on exercising a municipality's right to be heard apply to the competence to exercise a municipality's right to a judicial review.

Section 143**Enforceability of a decision**

Decisions may be enforced before they have attained legal force. However, this is not permitted if a request for an administrative review or a request for a judicial review would consequently be rendered useless or if the decision-making body handling the request for an administrative review or the appellate authority forbids implementation.

Section 144 (1575/2019)**Other provisions on requests for an administrative review and on requests for a judicial review of the decision of a municipal authority**

Unless otherwise provided in this Act, requests for an administrative review and requests for a judicial review of the decision of a municipal authority shall be governed by 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**Provisions repealed**

This Act repeals the Local Government Act (365/1995).

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, this Act shall be applied instead.

Section 147 (1484/2016)**Transitional provisions concerning decision-making bodies, management, rights of participation of residents, elected officials, decision-making and administrative procedure, requests for administrative review and requests for a judicial review of the decision of a municipal authority**

The provisions of chapters 4–7; section 59; section 60, subsection 2; section 64, subsection 4; and chapters 10, 12 and 16 above shall apply from the start of the term of municipal councils elected in 2017. Until then, decision-making bodies, management, rights of participation of residents, elected officials, decision-making and administrative procedure, requests for an administrative review and requests for a judicial review of the decision of a municipal authority shall be subject to the provisions of the Municipalities Act in force at the time of the entry into force of this Act. Section 20 of the Act shall, however, be applied already to the municipal election arranged in 2017.

The provisions above in section 15, subsection 1 on the term of municipal councils and section 16 on the number of municipal councillors shall apply for the first time to municipal councils elected in 2017. The term of municipal councils competent at the time this Act enters into force shall continue until the end of May 2017.

Municipal 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 municipal council's term. In this case, a deputy councillor shall be called in to replace the municipal councillor for the remaining term, and for other positions of trust a new person shall be elected. Resignations from the duties of municipal councillor or from other positions of trust in a municipality shall be notified by the end of November 2016 in writing to the municipal council or other decision-making body that elected the official.

The obligation of municipalities, referred to in section 19, subsection 2 above, to notify the amount of support paid to municipal council groups and the obligation of municipalities, referred to in section 82, subsection 3, to notify the amount of elected officials charges collected shall apply for the first time when the financial statements for 2015 are prepared.

The intermunicipal cooperation agreements shall be brought to comply with the provisions of chapter 8 by the end of 2019.

Section 148

Transitional provisions concerning deficit coverage and the assessment procedure

The provisions on the obligation to cover a municipality's balance sheet deficit, laid down in section 110, subsection 3 above, shall apply for the first time to balance sheet deficits in the financial statements for the 2015 accounting period.

Notwithstanding the provisions of section 110, subsection 3 on the obligation to cover a municipality's balance sheet deficit, the deficit shall 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.

The provisions of section 65, subsection 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.

Section 118, subsection 1 and section 118, subsections 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 Municipalities 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 thereof.

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 administration and finances**

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.

The provisions of section 122 above on the appointment of an audit firm 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**

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 shall, by the end of 2016, assign the performance of the duty to a company, corporate entity or foundation, or arrange the activities in some other way so that they do not distort competition.

Section 126, subsection 1 above shall apply to the provision of occupational health care services referred to in section 18, subsection 3 of the Health Care Act (1326/2010) from the beginning of 2019. If a municipality provides occupational health care services during the transition period, their pricing shall comply with the provisions of section 128 of this Act. The municipality or joint municipal authority shall, during the transition period, differentiate the occupational health care services from the other health care services in its accounting if the municipality or joint municipal authority operates in a competitive market environment. 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. (1340/2016)

If the duties referred to in subsection 2 are transferred by the end of 2018, the limited liability company, cooperative, association or foundation to whose employment the persons employed by the municipality or the joint municipal authority are transferring shall 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. (1340/2016)

If, by the end of 2018 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 subsection 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 shall, 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.

(1340/2016)

An application for the refund of taxes shall be made within one year of payment of the tax. Appended to the application shall 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 shall 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.

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.

The Act on Public Employment and Business Service (916/2012) was repealed as of 1 January 2025 by the Act on the Implementation of the Act on the Organisation of Employment Services and certain other related acts (383/2023).