

STRUCTURE AND OPERATION OF LOCAL AND REGIONAL DEMOCRACY

Finland

Situation in 2009

Provinces and Regional Councils in Finland

- 1 Uusimaa Regional Council
2. Regional Council of Southwest Finland
3. Regional Council of Itä-Uusimaa
4. Regional Council of Satakunta
5. Regional Council of Häme
6. Council of Tampere Region
7. Regional Council of Päijät-Häme
8. Regional Council of Kymenlaakso
9. Regional Council of South Karelia
10. Regional Council of Etelä-Savo
11. Regional Council of Pohjois-Savo
12. Regional Council of North Karelia
13. Regional Council of Central Finland
14. Regional Council of South Ostrobothnia
15. Regional Council of Ostrobothnia
16. Regional Council of Central Ostrobothnia
17. Council of Oulu Region
18. Regional Council of Kainuu
19. Regional Council of Lapland
20. Province of Åland

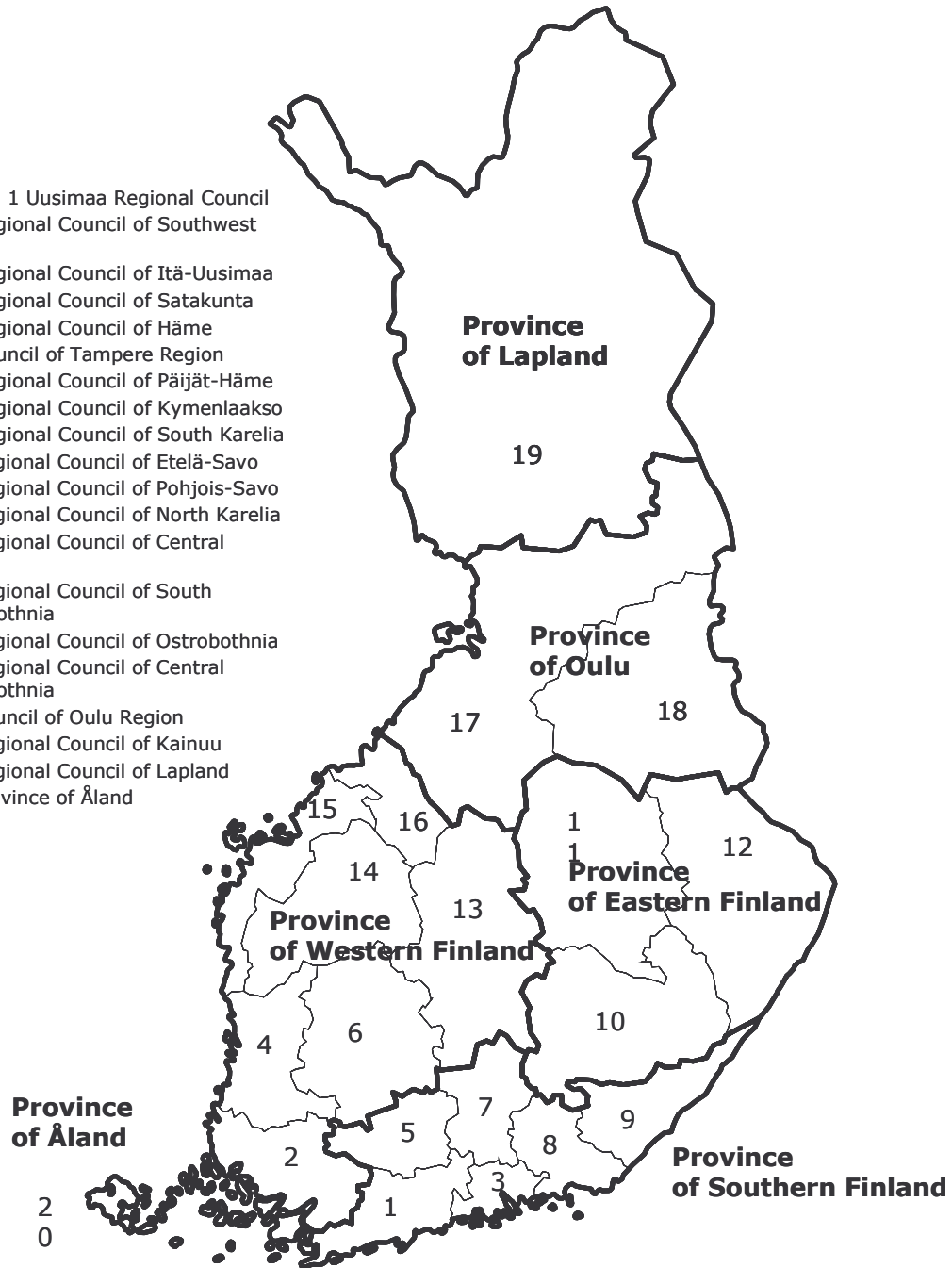


TABLE OF CONTENTS

	Page
1. LEGAL BASIS	5
1.1. Constitutional provisions relating to local/regional authorities	5
1.2. Main legislative texts	5
2. STRUCTURE OF LOCAL/ REGIONAL AUTHORITIES	6
2.1. Main subdivisions	6
2.2. Statistical data	6
2.3. Regulations governing changes in the municipal structure	7
2.4. Self-government bodies at regional level	8
2.5. General units of State administration	9
3. ORGANS OF LOCAL/ REGIONAL AUTHORITIES	9
3.1. Municipal council	9
3.2. Municipal executive board	10
3.3. Political head	10
3.4. Head of administration	10
3.5. Division of powers and responsibilities	11
4. DIRECT CITIZEN PARTICIPATION IN DECISION-MAKING	11
4.1. Referendums	11
4.2. Other forms of direct participation	11
5. STATUS OF LOCAL ELECTED REPRESENTATIVES	12
5.1. Elections and terms of office	12
5.2. Duties and responsibilities of local representatives	13
5.3. Working conditions	14
5.4. Representation of the sexes	15
6. DISTRIBUTION OF POWERS BETWEEN THE VARIOUS CATEGORIES OF LOCAL/ REGIONAL AUTHORITIES	15
6.1. Principles governing the distribution of powers	15
6.2. Local/regional authorities' participation in national spatial and economic planning	16

7.	CO-OPERATION AND OTHER TYPES OF LINKAGE BETWEEN LOCAL/ REGIONAL AUTHORITIES	20
7.1.	Municipal co-operation	20
7.2.	Associations at national level	21
7.3.	International co-operation.....	21
8.	FINANCE	22
8.1.	Taxes.....	22
8.2.	Grants.....	23
8.3.	Fees, charges and sales income.....	24
8.4.	Borrowing	24
9.	CONTROL OVER LOCAL/ REGIONAL AUTHORITIES	24
10.	REMEDIES FOR INDIVIDUALS AGAINST DECISIONS OF LOCAL/ REGIONAL AUTHORITIES	25
11.	LOCAL/ REGIONAL AUTHORITY STAFF	25
12.	REFORMS ENVISAGED OR IN PROGRESS	26

1. LEGAL BASIS

The structure and operation of local democracy is based on the locally elected councils of local governments (also “municipalities”). There are no regionally elected councils in Finland. The Regional Councils described in this paper belong to the sphere of municipal activities. They are established and maintained by the member municipalities. This report, therefore, concentrates mainly on describing municipal administration in Finland.

1.1. Constitutional provisions relating to local/regional authorities

According to section 121 of the Constitution of Finland, municipality administration is founded on the self-government of their residents. The Constitution also provides that provisions on the general principles governing municipal administration are laid down by an Act of Parliament. Local self-government is thus constitutionally enshrined. Finland has also accepted the European Charter of Local Self-Government.

The Finnish Local Government Act (365/1995) contains the general provisions governing municipal administration. It came into force in July 1995. The provisions governing local authority finances, accountancy and audit procedures came into force in January 1997.

Finnish municipalities have general and special competences. Special competences cover duties which are laid down by an Act. Within its sphere of competence, a municipality may have responsibilities for the territory of the municipality or its residents that do not fall under the jurisdiction of some other authority. According to the Constitution, the Government may only lay down duties on municipalities by an Act.

In 2005 the Finnish Government initiated a reform to redesign the municipal structure (administrative-territorial) and to strengthen the organisation of the basic services under the responsibility of the municipalities. Its aim is to create a well functioning and cohesive municipal structure. The Act on Restructuring Local Government and Services (“The Framework Act”) came in force in February 2007 and it contains the guidelines for the reform. The Act will remain in force until the end of the year 2012.

Reform is currently underway to change the structures and services of local authorities.

A further reform will change the structures of public administration in Finland in the near future. After elections in 2007, the new Government launched an extensive reform of regional state administration. The full reform will come into force by the beginning of the year 2010.

1.2. Main legislative texts

The main legislative texts in the field of local self-government are:

- The Local Government Act (365/1995)
- Act on the Autonomy of Åland (1144/1991)
- Act on the Helsinki Metropolitan Area Council (269/1996)
- Act on Local Authority Boundaries (1196/1997)
- Act on the Bargaining Rights of Municipal officeholders (389/1944)

- The Local Government Pensions Act (549/2003)
- Act on the Commission for Local Authority Employers (254/1993)
- Election Act (714/1998)
- Kainuu Administrative Experiment Act (343/2003)
- The Regional Development Act (602/2002)
- Act on Restructuring Local Government and Services (169/2007)

2. STRUCTURE OF LOCAL/ REGIONAL AUTHORITIES

The structure of local democracy in Finland is made up of self-governing municipalities. The framework for intermunicipal co-operation is based on municipal boundaries, as are the divisions of territorial jurisdictions of state administrations at sub-regional and regional level. The municipality is the basic administrative unit.

2.1. Main subdivisions

As indicated above, the municipality is the only level of local self-government. At the beginning of 2009, the total number of municipalities was 348. A municipal council can choose to call the local authority a “municipality” or a “city”.

In addition, there are 228 joint municipal authorities in Finland; they are single-task organisations carrying out tasks based on the member municipalities’ decisions. The following joint municipal authorities are compulsory: for special health care (20), for care of the disabled (14) and for regional planning (19 Regional Councils). These three types of joint municipal authorities are regional by nature and territory. The administrative principles of joint municipal authorities are set out in the Local Government Act. The members of the councils of joint municipal authorities are not elected directly but nominated by the councils of the member municipalities. The municipalities finance current expenditures and investments of joint municipal authorities through user charges and separate contributions to their investments.

2.2. Statistical data

The population of Finland was 5 300 484 inhabitants on 31 December 2007. At the beginning of 2009, there were 348 municipalities in Finland. In the country with two official languages (Finnish and Swedish), 34 municipalities are bilingual and 19 Swedish-speaking. Out of the Swedish-speaking municipalities 16 are located in Åland.

Area and population of Finnish municipalities in 2007

	Area	Population
Smallest	5.90 sq km (City of Kauniainen in the Helsinki Metropolitan Area)	116 (Municipality of Sottunga in Åland)
Largest	15 172.80 sq km (Inari Lapland)	568 531 (City of Helsinki)
Average	732.29 sq km	12 772

The Helsinki Metropolitan Area consists of the Cities of Helsinki, Vantaa, Espoo and Kauniainen. Its population represents 19% of the total population in Finland.

Population of Finnish municipalities

Number of inhabitants	Number of municipalities	Percentage of the total population
Under 999	14	0.16 %
1 000 - 4 999	143	7.95 %
5 000 - 9 999	91	12.54 %
10 000 - 49 999	81	32.43 %
50 000 - 99 999	12	15.93 %
Over 100 000	7	30.99 %

2.3. Regulations governing changes in the municipal structure

The number of municipalities in Finland has fluctuated over the years, but the trend has been downwards. In 1955, Finland still had a total of 547 municipalities. During the 60s-70s, there were several mergers. In 1977, the figure stood at 464 and has since steadily dropped. At the beginning of 2005 it was 432. Since then the Reform on Restructuring Municipalities and Services has led to more municipal amalgamations so that at the beginning of 2009 the number of municipalities was 348. More amalgamations will follow in 2010-2013.

Voluntary changes in municipal boundaries are decided by the Government in conformity with the Act on Local Authority Boundaries.

As a rule, changes in municipal boundaries can only be implemented if they:

- help to make services more accessible to the area's residents;
- help to improve the residents' living conditions;
- help to improve the operating environment of the area's businesses; or
- enable the municipalities involved to function more efficiently and economically.

Changes in municipal boundaries can only be carried out if it is clear that at least one of the above requirements is met.

The Government is trying to speed up the process of mergers between municipalities by granting special benefits to them. Such benefits are paid to new municipalities; the amount of benefits granted depends on the number of residents of the merging municipalities and the number of municipalities involved in the merger.

A merger always increases the territory and population of the new municipality. In some cases, the new municipality may become sparsely populated, because it includes islands etc. On the basis of these factors, the calculation criteria for general state grants are changed accordingly.

The amendments to the Act on Local Authority Boundaries that came into force at the beginning of 2002 were aimed at reducing the number of municipalities in Finland and making the municipal structure economically and functionally more viable. New types of merger aids were introduced, and the existing ones were made more generous. As a part of the amendments, an aid system for investment and development projects was introduced for a limited period of time. This aid can be paid in connection with municipal mergers or other measures reducing the number of municipalities.

The revised Act will also provide that the merging municipalities must set up an agreement on organising their administration and services in order to make the production of services more effective and to achieve greater economic efficiency. The agreement must be followed by a plan on how to integrate the functions between the merging municipalities.

As a result of the Reform on Restructuring Municipalities and Services the state grant system for municipal amalgamations was again revised in February 2007. The new grants encourage amalgamations of more than two municipalities and result in larger populations in the new municipalities. The grants vary from 2,0 million Euros to 18,54 million Euros and can therefore be much larger than before. The new grants are paid to amalgamations which come into force between 2008 and 2013. The previous system of special grants for investment and development projects was repealed.

In 2008 the government set up a working group to prepare a general reform of the Act on Local Authority Boundaries. The task of the working group consists mainly of reforming the provisions which help to facilitate the amalgamation processes. The provisions on amalgamation grants will not be revised. It was intended that the working group would give its proposals in February 2009.

2.4. Self-government bodies at regional level

Finland's Regional Councils (19 in total) are statutory joint municipal authorities operating according to the principles of local self-government. Regional Councils operate as regional development and spatial planning authorities and are thus the units in charge of promoting regional interests. On the basis of municipal democracy, they represent the common regional needs and work to promote the material and cultural well-being of their regions. The tasks of Regional Councils consist of regional spatial planning and the management of strategic regional development planning (projects financed by EU structural funds), as well as key international functions.

As mentioned above, there is additionally a number of joint municipal authorities, which operate at regional or sub-regional level. They are all single-task organisations providing a certain service in co-operation with several municipalities. Some of them are compulsory, the others are voluntary.

The region of Kainuu is a special case. The Parliament legislated in 2003 on an experiment in the region. Since 1 January 2005, there has been a directly elected regional council (a joint municipal authority). A great deal of municipal tasks, including all of health care and secondary education and parts of social sector tasks, was transferred to the council. The Regional Council of Kainuu, however, does not have the right to levy its own taxes. Its expenditures are financed by the member municipalities in the form of user fees.

The Åland Islands form an autonomous, demilitarised and unilingual Swedish-speaking province in Finland. Åland has its own Government, legislative and control powers and economic autonomy. The laws adopted by the Government of Åland are referred to the President of the Republic of Finland, who has a right of veto in two cases: if the Government of Åland has exceeded its legislative powers or the bill would affect Finland's internal or external security. In 1921, the newly-formed League of Nations presented a compromise decision to what was known as the "Åland Islands Question". As a result, the Act on the Autonomy of Åland, in force back then, was amended. The Act was revised further in 1951 and 1993.

2.5. General units of State administration

State administration is present at provincial and/or regional level depending on the ministry concerned.

The State Provincial Offices are subordinate to the Ministry of Finance. They function as general state administrative authorities on the territory of provinces which consist of one or more regions (in other words, the territory of one or more Regional Councils) – with the latter's boundaries following those of the municipalities. Since the beginning of September 1997, the number of State Provincial Offices has been reduced from twelve to six (five provinces on the mainland and Åland, which, as mentioned above, is a self-governed province).

Since 1997, the Ministry of Employment and Economy and the Ministry of Agriculture and Forestry have had fifteen joint, regional multi-service offices. The Ministry of the Environment has thirteen regional offices. These also operate within a territory that includes one or more regions.

State local administration includes the police districts, local registry offices, district prosecutors, local enforcement authorities, local judicial districts, local districts of the Ministry of Employment and Economy, regional tax offices and the local offices of the Social Insurance institution of Finland. In almost all cases, these local state offices cover the territory of several municipalities.

3. ORGANS OF LOCAL/ REGIONAL AUTHORITIES

The Local Government Act contains the basic provisions on the organisation of local self-government. According to the Act, every municipality must have a council, municipal executive board, municipal manager, audit committee, election committee and chartered (professional) auditor. The council may freely decide on the other components of the municipal organisation. With the exception of the audit committee and election committee, committees are not mandatory. In practice however, every municipality has committees consisting of elected officials. The committees have the task of managing matters, for example, in the fields of education, social welfare and health, the environment, utility affairs and alike. The members of these bodies are elected officials and are all appointed by the council. They may or may not be members of the council.

The council is the highest organ, and the other organs and their elected officials must enjoy the council's confidence. The council may dismiss elected officials that it has appointed mid-term if all or some of them no longer enjoy the council's confidence. A decision to dismiss elected officials applies to all the elected officials, even if the council wants, in practice, to dismiss only some of them.

3.1. Municipal council

A municipal council is the most significant organ of local self-government and exercises municipal decision-making powers. The council decides on the municipal organisation, the competences of its internal bodies and municipal civil servants and on the delegation of competences. The municipal council approves the budget and financial statement, it appoints members to other municipal organs and to the councils of joint municipal authorities.

The council is composed of seventeen to eighty-five members according to the municipality's population. Nevertheless, in municipalities with less than 2 000 residents, the municipal council may decide on a smaller number of councillors (always an odd number), the minimum number being thirteen.

A municipal council is elected by the residents for a four-year term. The council is elected by proportional representation on the principle of "one person, one vote". Citizens of Finland, other European Union Member States, Iceland and Norway who are 18 years of age before the election and whose municipality of residence is the municipality in question have the right to vote in municipal elections and stand for election. Other foreign citizens fulfilling the aforementioned conditions have the right to vote and stand for election if they have been resident in a Finnish municipality for the two years directly preceding the election year.

Councillors may form council groups for carrying out the work of the council. A council group may also be formed by a single councillor.

3.2. Municipal executive board

A municipality has a municipal executive board, whose members, deputy members, chairperson and deputy chairperson are appointed by the municipal council for a four-year term, unless a shorter term is decided by the council.

The municipal executive board is responsible for administration and financial management, and for the preparation and implementation of the decisions taken by the municipal council. It oversees the legality of the council's decisions and represents the municipality.

The municipal executive board has a central role in a municipality. It prepares all matters for the municipal council (except those which concern the council's internal working rules).

3.3. Political head

The municipal council is the highest municipal organ. It is led by a chairperson. The municipal executive board is in charge of municipal administration. A municipal manager leads the administration under the municipal board.

3.4. Head of administration

The municipal manager is a municipal civil servant who is responsible for preparing decisions for the municipal executive board and manages local administration, finances and other functions under the municipal executive board's supervision. The municipal manager is nominated by the municipal council for an indefinite or fixed term of office.

In conformity with amendments made to the Local Government Act in 2006, a municipality may also be managed by a mayor elected by the municipal council. The mayor is an elected official, appointed for the same term of office as the municipal council and working as the chairman of the municipal executive board. Mayors may be elected for a period not exceeding the council's term. In addition to a mayor, local authorities may have deputy mayors. Deputy mayors are also elected by the council. The deputy mayor is an elected official, whose term is regulated by the provisions on the term of the mayors. There are currently two municipalities in Finland that have chosen a mayor instead of a municipal manager.

A municipal manager or a mayor has a central position in managing the municipality.

The dismissal of a municipal manager is governed by provisions other than those which apply to elected/appointed officials who are not civil servants. The municipal council can dismiss the manager by two-thirds majority vote if the municipal manager does not enjoy the council's confidence. The dismissal must, however, be based on objective grounds.

3.5. Division of powers and responsibilities

The division of powers and responsibilities between different municipal organs is based on legislation or on decisions (by standing order) made by the municipal council. The municipal council may delegate its powers to other municipal multi-member organs, elected officials (appointed by itself) and office-holders (municipal civil servants). If the council wants to delegate its decision-making powers, this is only possible by way of a standing order.

A municipal council cannot delegate its powers in matters that by law it must decide on. Such matters include: setting of development objectives and strategies; loans and borrowing; decisions on organisation; election of members to municipal organs and joint municipal authorities; budget; rates of municipal taxes, fees and charges; approval of the financial statement; discharge from liability.

4. DIRECT CITIZEN PARTICIPATION IN DECISION-MAKING

4.1. Referendums

Chapter 4 of the Local Government Act defines the participation rights of local residents. It also includes the provisions on advisory referendums. A municipal council can decide to hold a referendum. A referendum can be held on a matter concerning the whole territory of the municipality or a part of it. Local residents representing at least five per cent of those entitled to vote may also propose a referendum. The council must decide without delay whether to hold a referendum as proposed. All persons entitled to vote have an equal voting right. The referendum result is only advisory, and not compulsory, for the council.

4.2. Other forms of direct participation

Local residents have the right to submit initiatives to the local authority on matters related to its operations. Persons submitting initiatives must be informed of action taken as a result of the initiative. At least once a year, the council shall be informed of all initiatives submitted on matters within its purview and of action taken as a result. If persons submitting an initiative on a matter within the purview of the council represent at least two per cent of the local residents entitled to vote, the matter must be considered by the council no later than six months after the matter was instituted.

Under the Local Government Act, the council must ensure that local residents and service users have opportunities to participate in and influence municipal functions. The act sets out ways in which residents can influence municipal functions (customer feedback, information, public hearing etc.).

The Local Government Act requires that municipalities actively inform residents of matters concerning municipal functions and residents themselves.

5. STATUS OF LOCAL ELECTED REPRESENTATIVES

This section discusses the status of the elected members of the council and the members of different municipal (joint municipal authority) organs appointed by the council. This category does not include office-holders appointed by the council or other bodies (municipal civil servants).

5.1. Elections and terms of office

In order to stand for local election, candidates must be registered residents of the municipality in question and must have the right to vote. The Local Government Act includes three categories of provisions on eligibility (eligibility for the council, municipal executive board and committees).

The grounds for eligibility for the council are quite broad. The grounds for eligibility for the municipal executive boards and committees are stricter than those for municipal councils.

Persons who are not eligible for the municipal council in local elections are, for example, leading municipal civil servants in the municipality in question and state civil servants performing functions directly connected with municipal administration.

Persons whom the council cannot appoint to the municipal executive board are, for example, persons employed by the local authority in its central administration subordinate to the municipal executive board, and leading persons of a business corporation, if decisions on matters normally dealt with by the municipal executive board could lead to this corporation having a substantial advantage or disadvantage. Also the chairman of the executive body or comparable organ of a trade union which promotes the interests of staff in the municipality in question is not eligible for appointment to the municipal executive board. Similarly, persons responsible for staff interests such as collective bargainers, or in some other comparable capacity, are not qualified for appointment. The majority of municipal executive board members must not be persons employed by the municipality, a (utility) corporation or foundation owned or governed by the municipality.

Persons whom the council cannot appoint to a committee are those employed by the municipal committee in question and subordinate to the committee itself. Nor are leading persons in a business corporation eligible for committees, if decisions on matters normally dealt with by the municipal board would lead to this corporation having a substantial advantage or disadvantage.

The members of municipal councils are elected for a term of four years, as is usual for members of municipal committees. The members of municipal executive boards are usually appointed for two years.

Persons who have reached the age of 60 or held the same elected office or been a member of the same body for the four preceding years, or who have held a municipal elected office for a total of eight years, have the right to refuse office. An elected office can also be refused for other valid reasons.

A member of a municipal elected body can be simultaneously nominated to many different municipal bodies since there are no limits to simultaneous offices being held. The same person can be elected as chairman of both the local council and the municipal executive board. This possibility means stronger political leadership, but it has not been used in practice. A member of the council can also be a member of one or more bodies of joint municipal authorities, their executive bodies as well as of committees.

According to the Act on the Disclosure of Election Financing (414/2000), passed in 2000, those who are elected members and deputy members of the council are obliged to submit information on their election financing. In municipal elections, the value of each contribution and the name of the donor must be stated separately if the value of an individual donation is at least 1 700 euros. The notification must be submitted to the central election committee of the municipality in question within a period of two months following the confirmation of the election results. The notifications are public. The state can provide public financial support to political parties only via the central government budget. The support is directed to central national party organisations. Municipalities may not provide direct public financial support to political parties in local elections.

5.2. Duties and responsibilities of local representatives

Local elected representatives are responsible for taking decisions on matters concerning local administration. They are obliged to declare their financial and personal interests to the parties or to the electoral organisation before their nomination as a candidate.

Local elected representatives are obliged to refrain from participating in council decisions on matters personally affecting either themselves or a close relative.

There are the two categories of grounds for disqualification. One is applicable to the council members and the other to all the other elected officials appointed by the council. Under the Local Government Act, a councillor shall be disqualified in the case of a conflict of interest only if the matter personally concerns himself or a member of his close family. This disqualification should be a personal initiative but may also be decided at the initiative of some other person or body. Under the Administrative Procedure Act (434/2003), stricter provisions apply to elected representatives. An official shall be disqualified if:

- 1) he/she or a close person is a party to the matter;
- 2) he/she or a close person assists or represents a party or a person due to gain specific benefit or suffer specific loss from the decision on the matter;
- 3) specific benefit or specific loss arising from the decision taken may be foreseen for him/her or a close person;
- 4) he/she is in service with or has other relevant dealings with the party or a person due to gain a benefit or suffer a specific loss from the decision taken;
- 5) he/she or a close person is a member of the board, supervisory board or a corresponding organ or the managing director or in a comparable position in a corporation, state enterprises or institution that is a party or that is due to gain specific benefit or suffer specific loss from the decision taken; or if
- 6) his/her impartiality is compromised for any other special reason.

The Local Government Act sets out the conditions under which an elected official (member of the council, executive board or a committee) may resign or loses eligibility, such as if he/she changes domicile, or is found incompetent to manage his/her own affairs. In cases where a person loses his/her eligibility to stand for local elections, he/she is automatically suspended from sitting in the council or any other municipal bodies. In addition, an elected official may resign during his/her term of office if the body which has appointed him/her approves the request for resignation.

An elected official may, in case of suspected action conflicting with his/her duties or official misconduct, be suspended from his/her duty by a decision of the council (temporarily by a decision of the council's chairman) for the time required for an investigation. The council may discharge an elected official on grounds of criminal acts outside the elected office if the elected official is sentenced to at least six months' imprisonment after being elected.

The elected official can be sentenced to pay compensation for damages caused by gross negligence or a criminal act.

5.3. Working conditions

In most municipalities, the chairmen and deputy chairmen of the council, municipal executive board and committees receive a remuneration. In addition, all local elected representatives receive remuneration for attending meetings. They are also paid compensation for loss of earnings and for travel costs. A member of a municipal body has no pension rights arising from this activity. The number of working hours is generally highest for a member of a municipal executive board (often weekly sessions). Other bodies usually have meetings twice a month or less. Municipal facilities are usually used as meeting facilities of political groups represented in municipal councils.

The basis for remuneration is decided by the council. Travel costs and compensation for loss of earnings are regulated by the recommendations of the Association of Finnish Local and Regional Authorities. The annual remuneration received by elected representatives for the performance of their duties is subject to taxation, with contributions deducted for health insurance and retirement pension schemes. Remuneration for attending meetings and compensation for loss of earnings are also subject to taxation, at the same rate as for other additional income.

The pay and remuneration of a mayor or deputy mayor is decided by the municipal council. Mayors and deputy mayors are, according to the Local Government Act, entitled to annual leave, sick leave and family leave on the same grounds as municipal elected officials.

According to the amendments made to the Local Government Act in 2006, municipal elected officials are entitled to leave from their work to participate in meetings of the municipal organ concerned, with the agreement of their employer. The employer may not refuse to agree to the participation of the employer in meetings of the municipal organ concerned without good cause. On the basis of this provision and long-standing practice, no hampering of participation by employers has emerged.

As to the training and information of elected representatives, political parties and associations, who are responsible for selecting candidates for municipal elections, usually arrange information programmes. Municipalities also often pay for consultation, information and training programmes for elected representatives. The Association of Finnish Local and Regional Authorities (its local government training service) also provides information and training programmes for this purpose.

In order to improve the operational conditions of council groups, local authorities may support their internal activities and measures aimed at promoting the opportunities of local residents to participate and exert influence. The reason for the support must be specified, if it is to be granted.

5.4. Representation of the sexes

After the 2008 municipal elections, the representation of women was 46% in municipal committees, 48% in municipal boards and 36.7% in municipal councils. Under legislation passed in 1995, the provisions of the Act on Equality between Women and Men 609/1986 concerning fair representation of women and men in decision-making were also extended to municipalities. A quota of seats (40%) is now reserved for women or men in local executive bodies and in various committees and boards formed by local bodies.

6. DISTRIBUTION OF POWERS BETWEEN THE VARIOUS CATEGORIES OF LOCAL/ REGIONAL AUTHORITIES

6.1. Principles governing the distribution of powers

Municipalities have general powers at local level. These powers are defined in legislation and protected by the Constitution. Thus, powers can be granted to or removed from municipalities only by law. The provision of municipal services, such as basic and vocational education as well as health and social services, is included in special legislation. Municipalities can also buy services and make agreements with other municipalities, joint municipal authorities, state authorities and private and NGO entities in order to manage their activities.

Thus, decision-making in specific tasks takes place at local level in the municipalities. The central administration is, in general, only in charge of setting standards and providing guidelines and state grants in order to ensure the resources needed.

Measured by total expenditure, the most important authorities at regional level are the joint municipal authorities, the single-task organisations administering special health care, care of the disabled, vocational training and others. The Regional Councils as joint municipal authorities have an important regional development task and they also look after the interests of their stakeholders.

In general, the different offices that represent state regional administration (such as state provincial offices and regional offices under some ministries) are not entitled to issue binding instructions to municipalities or exercise any control over them. Neither do they allocate resources for municipal functions (with some minor exceptions). Their services are mostly directed at citizens and enterprises, not at municipalities. Moreover, as the tasks of state regional offices do not overlap with municipal tasks, competition or tensions seldom emerge. State regional offices tend to work in partnership with municipalities.

Since 1996, the basic unit of State local administration has been a State Local District (90), which performs the functions of the police, public prosecutor and bailiff and provides registration and legal aid services to citizens. Other State local administration includes taxation, employment, maintenance of main roads and social insurance. The powers and tasks of State local administration are defined in special legislation, whereas municipal councils can perform functions that they have undertaken by virtue of their autonomy and tasks laid down for them by law.

6.2. Local/regional authorities' participation in national spatial and economic planning

The Ministry of the Environment drafts the national land use plans (national parks ect.) in collaboration with, for example, Regional Councils.

Spatial planning at regional and local level is governed by the Land Use and Building Act (132/1999). Under this Act, the Ministry of the Environment, assisted by Regional Environment Centres, promotes, steers and monitors regional spatial planning. The Regional Councils (intermunicipal bodies) are responsible for regional spatial planning. Each municipality takes care of detailed land-use planning within its territory and approves the binding town plans.

According to the Local Government Act, matters of municipal finances, the coordination of state and municipal finances are dealt with in a negotiating procedure between the state and local authorities. The Advisory Board on Municipal Economy and Administration, which consists of an equal number of delegates from ministries and the Association of Finnish Local and Regional Authorities, works under the Ministry of Finance. The Advisory Board discusses, when state budget proposals are being drafted, matters concerning government transfers to municipalities and the distribution of costs between municipalities and central government. The Board also deals with matters of municipal administration.

The Basic Services Programme introduced in 2003 aims at achieving a better balance between financial resources and the tasks and obligations of the municipalities. The Programme consists of an annual budget review and service assessments and was prepared in co-operation between the responsible ministries and the Association of Finnish Local and Regional Authorities.

The municipalities are always represented in the committees and working groups established by the ministries which are dealing with issues concerning municipal legislation, administration and finances.

The table at the end of this chapter indicates the distribution of power between state and local authorities.

The competencies of local/regional authorities

FINLAND

Function	Competent authority		Type of competence				Exercise of the competence				Remarks ***	
	State	Intermediate*	Municipality	Exclusive	Shared	Compulsory	Discretionary	Direct	Indirect	In own right		For another authority
Central administration												
Security, police	•			•		•		•				
Fire protection	•	•	•		•	•		•				
Civil protection	•	•	•		•	•		•				
Justice	•			•		•		•				
Civil status register	•			•		•		•				
Statistical office	•			•		•		•				
Electoral register	•			•		•		•				
Education**												
Pre-school education			•	•		•		•				
Primary education			•	•		•		•				
Secondary education			•	•		•		•				
Vocational and technical			•	•						•		
Higher education	•			•						•		
Adult education			•				•			•		
Other												
Public health												
Hospitals			•	•		•		•				
Health protection			•	•		•		•				

(*) Where several intermediate levels exist, the competent local government is indicated.

(**) The competence refers to infrastructures (I) or to the staff (S).

(***) In case there are any remarks, see the last page of this country's table.

The competencies of local/regional authorities

FINLAND

Function	Competent authority			Type of competence					Exercise of the competence			Remarks **	
	State	Intermediate*	Municipality	Exclusive	Shared	Compulsory	Discretionary	Direct	Indirect	In own right	For another authority		
Social welfare													
Kindergarten and nursery			•	•		•		•					
Family welfare services	•		•		•	•				•			
Welfare homes			•				•						
Social security	•		•		•			•		•			State insurance
Other: farmer vacation services	•		•		•	•		•					
Housing and town planning													
Housing			•				•			•			
Town planning			•	•		•		•					
Regional/spatial planning		•	•		•	•		•					
Environment, public sanitation													
Water & sewage			•	•		•				•			
Refuse collection & disposal			•	•		•				•			(church)
Cemeteries & crematoria													(private)
Slaughterhouses													
Environmental protection	•	•	•		•	•		•					
Consumer protection	•		•		•	•		•					
Culture, leisure & sports													
Theatres & concerts			•				•					•	
Museums & libraries			•				•					•	
Parks & open spaces			•				•					•	
Sports & leisure			•				•					•	

(*) Joint municipal authority.

(**) For any remarks, see the last page of this country's table.

The competencies of local/ regional authorities

FINLAND

Function	Competent authority			Type of competence				Exercise of the competence				Remarks ***	
	State	Intermediate*	Municipality	Exclusive	Shared	Compulsory	Discretionary	Direct	Indirect	In own right	For another authority		
Religious facilities													
Other cultural facilities	•		•		•		•			•			(church)
Traffic, transport**													
Roads	•		•		•	•				•			
Transport	•		•		•		•			•			(+ private)
Urban road transport			•				•			•			(+ private)
Urban rail transport	•		•		•					•			(+ private)
Ports			•				•			•			
Airports	•						•			•			
Other traffic & transport													Helsinki area
Economic services													
Gas			•				•			•			
District heating			•				•			•			
Water supply			•				•			•			
Agriculture, forests, fishing	•		•		•	•		•					
Electricity			•				•			•			(+ private)
Economic promotion	•		•				•			•			(+ private)
Trade & industry	•		•				•			•			(+ private)
Tourism	•		•				•			•			
Other economic services	•		•				•			•			(EU policy)
Other functions													

(*) For state roads.

(**) The competence refers to infrastructures (I) or to the management (M).

(***) For any remarks, see the last page of this country's table.

7. CO-OPERATION AND OTHER TYPES OF LINKAGE BETWEEN LOCAL/ REGIONAL AUTHORITIES

7.1. Municipal co-operation

Local authorities can organise their service provision in many different ways. It often makes most sense organisationally and financially to provide services in co-operation with other municipalities, non-commercial organisations and enterprises.

If measured by the volume of expenditures, the joint municipal authorities are the most important form of co-operation in Finland. They are set up by two or more municipalities to carry out specific tasks on a permanent basis. The most prominent joint municipal authorities include regional councils, hospital districts, districts for care of the disabled; others are set up to perform functions related to public health and vocational education. Three quarters of all joint municipal authority expenditure is incurred from organising health care services.

To establish joint municipal authorities, individual municipalities enter into a mutual basic contract, which also allows them to decide how they wish to organise decision-making within the joint authority. Joint municipal authorities are independent legal public entities governed by municipal legislation.

There were 228 joint municipal authorities in Finland in 2006. They were divided into sectors as follows: health service (84), education (69), social services (29), Regional Councils (19) and utility and other services (27).

There are also several other forms of municipal co-operation. Small municipalities, in particular, have hired joint municipal civil servants whose services are shared by more than one municipality (building inspection, town planning and the like). To perform common tasks, a joint municipal committee and an operational organisation functioning under the joint committee can also be established.

Limited companies, co-operative societies, and foundations are well suited to utility activities. For instance, municipalities have established joint waste management companies, enterprise service companies and tourist bureaux. Private partners, creating a stronger investment base for a wider range of projects, can also join these entities.

If a local authority is a major shareholder in a company, co-operative, foundation or association or exercises dominant influence on such a unit, the said unit, together with the municipality, make up a municipal concern, i.e. an economic entity. The regulations on municipal concerns determine the policies of the participating legal entities and their obligation to report to the local authority in accordance with accounting legislation.

The participating municipalities increasingly agree on how functions are performed without forming any new organisations. Contractual co-operation is common in the areas of waste management, water supply, rescue services, building inspection, consumer and debt counselling and education. Some contracts are statutory, such as co-operation agreements on rescue services and contracts for building and maintaining regional emergency response centres and purchasing of health-centre services.

The Government stimulates co-operation between municipalities. Under the Act, the Ministry of Finance can grant co-operation aid to municipalities if the co-operation is significant for reforming the municipal service structures, developing services or the productivity of services and promotes the objectives of the Reform on Municipalities and Services. The Act was reformed in 2008 and will stay in force until 2012.

The co-operation between municipalities is also stimulated by the Act on restructuring local government and services. Under the act, municipalities shall, in order to put their co-operation on a stronger basis, establish partnership areas that constitute larger catchment areas. A municipality or a partnership area responsible for primary health care and clearly associated social services should have a population, with some exceptions, of 20,000 at least. A municipality or a partnership area authorised to provide vocational basic education, as laid down in the Vocational Education and Training Act, should have a population of 50,000 at least. Municipalities should take measures to meet these population requirements through redrawing municipal boundaries and by setting up municipal co-operation, partnership areas.

7.2. Associations at national level

The Association of Finnish Local and Regional Authorities, created in 1993 on the basis of three different associations, is a common interest organisation for municipalities and Regional Councils. All municipalities and Regional Councils are members of the Association. It represents the interests of local self-governments and provides expert services, such as training, research, publishing, and legal aid services.

7.3. International co-operation

There are neither general nor specific provisions or limitations in Finland concerning the municipalities' right to co-operate with their counterparts in other States.

Finnish municipalities are engaged in twinning activities with municipalities in more than thirty countries especially in the Nordic countries, Estonia, Russia, Germany and Hungary.

8. FINANCE

The following tables contain an overview of the different sources of municipal income.

Sources of municipal income in 2008

	%
Taxes	48
State grants	18
Fees and sales incomes	26
Borrowing	4
Other	4

Structure of municipal expenditure in 2008 (Total 36.5 billion € in 2008, including joint municipal authorities)

	%
Social welfare and health care	50
Education and culture	24
Other functions (mostly infrastructure)	21
Finance and other	5

8.1. Taxes

The following table gives an indication of municipal taxes.

Municipal revenues from local taxes in 2008

Local taxes	Million €	%
Municipal income tax	14 940	86
Share of corporate income tax revenue	1 580	9
Real estate tax	890	5

In 2008, the average municipal income tax rate was 18.55% of taxable income, the lowest local income tax rate being 16% and the highest 21%. The council in each municipality decides itself on the local income tax rate without any legal restrictions. Taxable income is defined by tax legislation and the changes as well are decided by Parliament.

Since 2005, the corporate income tax rate has been 26% of taxable corporate income and the overall municipal share of revenues resulting from this tax has been 22.03%. The corporate income tax rate is decided by Parliament.

Real estate tax is based on the calculated taxable value of real estates. This tax is divided into several categories. The tax rates for 2008 were: general estate tax from 1 to 3% (building sites), permanent residences from 0.22% to 0.50%, 0.60% (maximum) addition to permanent residence tax rate for holiday estates, power stations 1.40% (maximum) and nuclear power stations 2.50% (maximum).

The municipal council determines the real estate tax rate yearly, within the minimum and maximum limits mentioned above and laid down by the Act on Real Estate Tax.

In addition, there is also a voluntary dog tax in some municipalities, but this tax is not financially remarkable.

Municipalities are not entitled to introduce new taxes, as this is the exclusive competence of Parliament.

8.2. Grants

State grants, including both investment and current expenditure grants, accounted for about 18% of the revenues of municipalities in 2008.

State grants for current expenditure depend on different criteria, for example the size of the population, its demographic structure, request for services such as the number of users of services (pupils), etc. The following table contains figures for the main grants for current expenditure.

Municipal State grants for current expenditure in 2008

Grants	Million €	%
Grants calculated on general criteria	176	2
Grants calculated on specific education criteria	2 664	34
Grants calculated on specific social and health care criteria	5 075	64
Total	7 915	100

The grant system is regulated by law and it can only be modified by the Parliament. The general criteria also include special factors such as unemployment, bilingualism, sparse population and islands.

The equalisation of revenues between municipalities is based on the total taxable income in each municipality, including municipal income tax, share of corporate income tax and real estate tax. All municipalities having tax revenues per capita lower than 91.86% of the national average receive the difference between their own revenues and the national average (equalisation grant). On the other hand, municipalities whose tax revenues exceed the national average lose part of their calculated state grants; the reduction is 37% of the amount which exceeded the national average of tax revenues. This money is used for equalisation. Thus, in practice, the equalisation is financed by transfers between the municipalities and within the state grants and not by any extra transfer from central government budget.

Municipalities having exceptional or temporary financial difficulties, for example major financial deficit caused by external and exceptional factors (loss of jobs, natural catastrophe), may also receive a discretionary temporary state grant. The appropriation in the state budget for this purpose is less than 1% of the state grants in total.

Municipalities deciding to merge also get a temporary (5 year period) state subsidy under specific legislation (Act on Local Authority Boundaries).

8.3. Fees, charges and sales income

Besides taxes and grants, the third important source of revenue in municipalities is operating income; its proportion of the total income is approximately 26%. Operating income consists of the sales of public goods and services (15% of the total income) and fees and charges (5% of the total income). The majority of operating income is collected from the consumers of local energy, water and sewerage supplies and ports. Cultural services may also be chargeable. The tariffs and charges for this kind of public goods are decided by the municipal council/lower municipal body without restrictions in law.

Within the limits of the law, and in some cases after income means testing, municipalities may also charge for social services and health care. These charges are, however, of minor significance for the funding of the services. For example in social and health care, charges cover under 8% of the total operating costs.

8.4. Borrowing

Municipalities do not need any authorisation from the state to raise loans. They can borrow from domestic and foreign sources without any authorisation or conditions.

The state does not guarantee the debts of municipalities, whether foreign or domestic.

Municipalities are allowed to guarantee loans, including those made by a person or an enterprise in order to stimulate business activities and provide working places. The EU regulations on state aid are naturally followed.

The Municipal Finance Plc (MF) is a specific credit institution under private law. The objective of the MF is to offer loans to its owners/customers, which comprise municipalities, joint municipal authorities and other municipality-controlled entities and non-profit entities.

The Municipal Guarantee Board was established in 1996. The purpose of this institution under public law is to safeguard and develop the joint funding of municipalities. In order to fulfil the purpose, the Guarantee Board can grant guarantees for the funding of credit institutions directly or indirectly owned or controlled by the municipalities. Such grants can be used for lending to municipalities and joint municipal authorities, to entities which are wholly owned by municipalities or under their control, and for credit institution funding, which is used for lending to corporations designated by government authorities and engaged in the renting or production and maintenance of housing on social grounds, or to corporations controlled by them.

9. CONTROL OVER LOCAL/ REGIONAL AUTHORITIES

In general, state authorities do not exercise any regular control over municipal decisions or finances. Instead, municipalities are obliged to provide detailed annual reports on their activities and finances to Statistics Finland, based on which state authorities, research institutions and other public and private entities and persons can analyse the development and need for measures with regard to municipalities.

In addition, the Local Government Act provides for a posterior supervision of municipalities by State provincial administration. Provincial administration, however, may only act upon a complaint, to determine whether the municipality has complied with the legislation in force.

Thus, supervision by state officials is limited to ensuring the legality of activities in municipalities, as according to the principle of self-government, it is the municipality's responsibility to choose the best and most effective ways of fulfilling its tasks legally. Provincial administration can order compliance with regulations under the penalty of a fine.

10. REMEDIES FOR INDIVIDUALS AGAINST DECISIONS OF LOCAL/ REGIONAL AUTHORITIES

The general rule is that it is always possible to appeal against the decision of a municipal organ or office-holder. Under the Local Government Act, the legal safeguards are: a request for rectification and municipal appeal. Any member of the municipality may submit a request for rectification or lodge a municipal appeal. Any party affected by the decision, not only the parties directly concerned, has also the right to request for rectification and lodge a municipal appeal.

Any resident dissatisfied with the decision of the municipal board or committee or subordinate body/office-holder may submit a request for rectification. A request for rectification must, as a rule, be submitted to the organ which made the decision subject to rectification. Requests for rectification can be made on the grounds of illegality or inappropriateness. Decisions by local councils and decisions concerning requests for rectification can be appealed by lodging a municipal appeal. The appeal must be addressed to an Administrative Court. Unlike requests for rectification, municipal appeals can only be lodged on grounds of illegality which means that a decision was not taken according to the proper procedure or that the authority who made the decision exceeded its powers, or that the decision is otherwise illegal.

The legal safeguards apply similarly to decisions made by the various bodies of joint municipal authorities.

Unless a rectification or an appeal is solved by the appropriate municipal body or the Administrative Court (or eventually by the Supreme Administrative Court), the decision in question cannot be implemented.

11. LOCAL/ REGIONAL AUTHORITY STAFF

In 2008, Finland's local authorities and joint municipal authorities had 429 000 employees on their payroll.

The breakdown by category of staff is shown in the following table.

Local authority staff

Health care	30.9%
Social services	26.5%
Education and culture	26.1%
Municipal enterprises	4.6%
Town planning and public works	4.2%
General administration	3.6%
Real estate	2.2%

Municipalities are free to appoint officials and other staff. The most high-ranking officials, including the mayor/municipal manager, are appointed by the council. A great deal of municipal officials are appointed by the municipal executive board and different committees. The council can delegate powers to appoint officials and hire employees also to officials.

The Municipal Office-holders Act (304/2003) lays down the general provisions on municipal office-holders, and the provisions on employees are laid down in the Employment Contracts Act (55/2001). The terms of employment are further determined in negotiations between the Commission for Local Authority Employers and the numerous central trade union organisations to which both office-holders and employees may belong.

In 2007, the average monthly salary for full-time work was 2 573 euros. About 78% of all municipal employees were women. The average age of personnel was 47.4 years.

12. REFORMS ENVISAGED OR IN PROGRESS

In 2005 the Finnish Government initiated a reform to restructure the municipal structure and to strengthen the organisation of the basic services for which the municipalities in Finland are responsible. Its' aim is to create a well functioning and cohesive municipal structure. The Act on Restructuring Local Government and Services ("The Framework Act") came into force in February 2007 and it contains the guidelines for the reform. The Act will be in force until the end of 2012.

The objective of the framework act is to strengthen municipal and service structures, to improve the manner in which services are produced and organised, to overhaul local government financing and the system of central government transfers to local government, and to review the manner in which tasks are divided between central and local government. The aim is to improve productivity and to slow down the growth in local government expenditure. The reform is not yet accomplished and will change the structures and services of local authorities.

Also another reform will change the public administration in Finland in the near future. After elections in 2007, the new Government launched an extensive reform in regional state administration. This means reorganisation of the duties of six existing regional state authorities into duties of two new regional authorities. Those authorities are for the time being called "The Centre for Business and Industry, Transport and Natural Resources" and "The Regional State Administrative Agency". One of the aims of the reform is also to clarify the division of duties between the state administration and the regional councils representing the local governments in the region. The role of the regional councils in regional development is to be strengthened. The full reform is to come into effect by the beginning of the year 2010.