

Local government finances

Preliminary data on the financial statements 2015

Incorporation of activities weakened the annual contribution margin of municipalities in 2015

The combined annual contribution margin of municipalities weakened from the year before by EUR 310 million, or by 14 per cent, which was particularly influenced by the drop in sales revenue of EUR 1.1 billion. The changes are explained by incorporation of municipalities' business activities in 2014, for example. These data appear from Statistics Finland's statistics on local government finances, for which financial statement data were collected from all 317 municipalities and all 146 joint municipal authorities.

Finances of municipalities and municipal groups in 2015, EUR million¹⁾

	Municipalities		Municipal groups	
	Total	Change, %	Total	Change, %
Operating revenue, total	7 553	-12,7	23 535	-
Operating expenses, total	36 493	-0,3	49 910	-
Annual contribution margin	1 912	-14,0	4 520	-
Net investments ²⁾	2 502	60,1	5 379	-
Loan stock 31st Dec	15 558	5,6	32 786	3,9

1) Preliminary data

2) Net investments = investment expenses - financing contributions for investment expenses - proceeds from transfers of non-current assets

Finances of municipalities and joint municipal authorities

The combined annual contribution margin of municipalities was EUR -28.4 billion. It weakened from the previous year by EUR 1.0 billion or 3.6 per cent. The weakening was particularly due to the decrease in sales revenues, down by EUR 1.1 billion or 25.1 per cent. Operating expenses went down by EUR 96 million or 0.3 per cent. The biggest decrease in operating expenses was seen in materials, supplies and goods, whose expenses went down from the previous year by EUR 552 million or 23 per cent. The changes are explained by incorporation of municipalities' business activities in 2014. Municipalities' incorporated activity is excluded from municipalities' financial statement data, but it is included in the financial statement data of municipal groups.

Municipalities' tax funding, which consists of tax revenue and central government transfers to local government, grew by EUR 627 million, up by 2.1 per cent. Of these, central government transfers to local

government grew by EUR 37 million and tax revenue by EUR 590 million. The biggest part of the growth in tax revenue was formed by income taxes, which increased the revenue by EUR 341 million. Municipalities' share of corporation taxes increased by EUR 177 million. The increased tax funding did not, however, cover the fall in operating revenue and the annual contribution margin weakened by 14 per cent.

The annual contribution margin was negative for 16 municipalities and eight joint municipal authorities in 2015, while this was the case for 11 municipalities and seven joint municipal authorities in the year before. According to the combined financial statements, the annual contribution margin covered 91 per cent of depreciations in municipalities. The key figure in question weakened from the previous year, when the annual contribution margin covered 107 per cent of depreciations. Joint municipal authorities' annual contribution margin covered 137 per cent of depreciations and it strengthened from the year before, when the corresponding figure was 116 per cent.

Municipalities' combined loan stock grew from the previous year by EUR 818 million or 5.6 per cent. Municipalities' loan stock per capita was EUR 2,835, having been EUR 2,694 in the year before. Municipalities' equity ratio, or the ratio of equity to total capital, was 60.2 per cent. The ratio went down slightly from the previous year, when it was 61.1 per cent. In turn, joint municipal authorities' combined loan stock grew by EUR 48 million or 1.6 per cent. At the end of 2015, joint municipal authorities' loan stock totalled EUR 3.0 billion.

In 2015, municipalities' net investments were EUR 2.5 billion. The growth from the year before was 60.1 per cent, but the sum is still lower than the corresponding figure in 2013. Joint municipal authorities' net investments decreased by 4.2 per cent and amounted to EUR 732 million.

Finances of municipal groups

In 2015, the combined operating margin of municipal groups was EUR -26.3 billion, or thus EUR 2.1 billion stronger than the combined operating margin of municipalities. Groups' annual contribution margin was EUR 4.5 billion, that is, EUR 2.6 billion better than the combined annual contribution margin of municipalities. Not one municipal group had a negative contribution margin.

Municipal groups' combined loan stock grew from the previous year by EUR 1.2 billion or 3.9 per cent. Groups' loan stock per capita was EUR 5,987, having been EUR 5,775 in the year before. Municipal groups' net investments amounted EUR 5.4 billion.

The statistics comprise data on 303 municipal groups. ¹⁾

1) Group financial statement data are missing from Luhanka of Mainland Finland municipalities. The rest of the missing data concern municipalities of Åland.

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	Municipalities			Joint municipal authorities		
	2015	2014	Change, %	2015	2014	Change, %
Operating revenue total	7 553	8 656	-12,7	13 057	12 876	1,4
Sales revenue	3 246	4 332	-25,1	12 207	12 050	1,3
Fees and charges	1 776	1 727	2,8	481	459	4,9
Subsidies and grants received	814	834	-2,4	194	214	-9,3
Other operating revenue	1 717	1 762	-2,6	175	152	15,2
Operating expenses total	36 493	36 589	-0,3	12 190	12 124	0,5
Personnel expenses total	14 702	14 859	-1,1	6 308	6 349	-0,6
Purchases of services	16 448	16 028	2,6	3 686	3 612	2,0
Materials, supplies and goods	1 853	2 406	-23,0	1 590	1 569	1,3
Allowances and grants	2 502	2 290	9,3	179	168	6,9
Other operating expenses	988	1 007	-1,9	427	426	0,3
Operating margin	-28 431	-27 432	3,6	873	760	14,8
Tax revenue total	21 768	21 178	2,8			
Municipal income tax	18 536	18 195	1,9			
Share of corporation tax	1 647	1 470	12,0			
Other tax income	1 585	1 513	4,8			
Central government transfers to local government	8 233	8 196	0,5			
Financing income and expenses	341	280	22,0	-87	-108	-19,1
Annual contribution margin	1 912	2 222	-14,0	785	652	20,4
Depreciations and reduction in value	2 092	2 077	0,7	573	562	1,9
Net investments	2 502	1 563	60,1	732	764	-4,2
Liquid assets 31st Dec	4 149	4 337	-4,3	971	968	0,3
Loan stock 31st Dec	15 558	14 740	5,6	3 047	2 999	1,6
*Preliminary data						

Appendix table 2. Key figures by region in 2015*

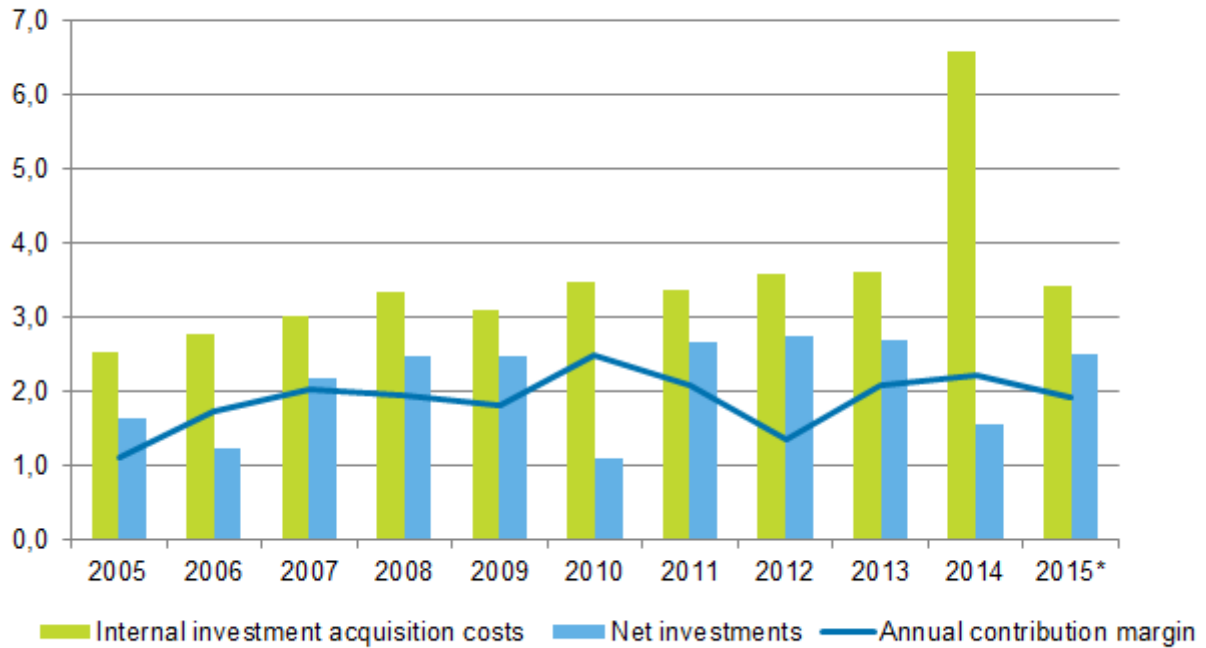
	Municipalities' annual contribution margin, EUR per capita		Municipalities' loan stock, EUR per capita		Groups' loan stock, EUR per capita	
	2015	Change, %	2015	Change, %	2015	Change, %
Whole country	348	-14,2	2 835	5,2	5 987	3,7
Uusimaa	427	-17,9	2 824	6,7	7 414	6,2
Varsinais-Suomi	309	21,0	2 600	5,6	4 885	0,4
Satakunta	253	-31,4	1 875	5,1	3 847	9,1
Kanta-Häme	322	7,4	2 952	4,3	4 829	0,3
Pirkanmaa	325	1,4	2 201	8,0	4 396	-0,3
Päijät-Häme	286	-36,7	4 652	10,1	6 412	5,0
Kymenlaakso	227	28,2	3 433	9,0	6 404	2,5
South Karelia	370	-2,4	2 572	4,0	6 174	3,6
Etelä-Savo	265	-22,1	3 064	5,3	6 152	1,8
Pohjois-Savo	349	-6,8	2 639	-0,1	6 859	3,3
North Karelia	446	-3,9	1 926	-1,1	4 336	3,8
Central Finland	369	0,0	3 053	2,3	6 541	0,0
South Ostrobothnia	246	17,2	3 275	9,3	6 070	4,9

	Municipalities' annual contribution margin, EUR per capita		Municipalities' loan stock, EUR per capita		Groups' loan stock, EUR per capita	
	2015	Change, %	2015	Change, %	2015	Change, %
Ostrobothnia	233	-66,9	2 888	1,9	5 321	0,8
Central Ostrobothnia	258	-53,0	4 834	-8,5	9 071	5,7
North Ostrobothnia	403	3,3	3 298	2,3	4 873	0,5
Kainuu	300	-41,9	2 392	13,0	5 703	0,6
Lapland	193	-17,5	2 574	9,1	4 730	6,6
Åland	592	-36,3	1 867	-14,3	5 203	-13,1
*Preliminary data						

Appendix figures

Appendix figure 1. Municipalities' internal investment acquisition costs, net investments and annual contribution margin in 2005 to 2015*

EUR Billion



*) The data concerning 2015 are preliminary. Internal investment acquisition costs are the difference between investment expenses and financing contributions. Net investments are the difference between internal investment acquisition costs and proceeds from transfers of non-current assets.

Inquiries

Atte Virtanen 029 551 3685
Karen Asplund 029 551 3611
Director in charge:
Ville Vertanen

kuntatalous@stat.fi

http://tilastokeskus.fi/til/kta/index_en.html

Source: Local government finances 2015, preliminary data. Statistics Finland