

Local government finances

Preliminary data on the financial statements 2018

Signs of weakening in municipalities' finances in 2018

Preliminary data of financial statements collected by Statistics Finland indicate that municipalities' finances weakened in 2018. The weakening was mainly caused by the increased operating expenses and lower tax revenue and central government transfers in tax funding compared to the actual financial statement data from 2017. Particularly due to these, the annual contribution margin weakened by EUR 1.2 billion and was EUR 2.1 billion. These data appear from the preliminary financial statement data of the statistics on local government finances, for which data were collected from all 311 municipalities and 140 joint municipal authorities in Finland.

Finances of municipalities and municipal groups in 2018, EUR million ¹⁾

	Municipalities		Municipal groups	
	2018	Change, %	2018	Change, %
Operating revenue, total	7 534	4,8	25 998	5,5
Operating expenses, total	37 086	3,4	53 045	4,5
Annual contribution margin +/-	2 075	-36,8	4 753	-19,9
Net investments ²⁾	2 798	17,2	6 249	7,1
Loan stock 31st Dec	16 771	3,7	36 071	3,9

1) Preliminary data. Changes are calculated compared to the previous year.

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

Finances of municipalities

According to the preliminary financial statement data, the local government operating margin amounted to EUR -29.2 billion in 2018. The operating margin weakened by EUR 985 million or 3.5 per cent compared with the actual financial statement data of the previous year. The weaker operating margin is explained by a higher growth in operating expenses measured in euros than in operating revenue. Operating expenses and revenue increased to some extent as a result of accounting procedures directed at some service purchases between municipalities and joint municipal authorities, which did not have a net effect on the operating margin. ¹⁾

1) A number of municipalities transferred the responsibility for the organisation of healthcare and social welfare services to the joint municipal authority they had set up, but municipalities were still responsible for producing the services. The municipalities applied the gross principle to record sales revenue and service purchases from joint municipal authorities, in addition to the expenses and revenue from their own service production. This recording procedure increased municipalities' external operating revenue and expenses, but it did not have a net effect on the operating margin. On the level of the whole country, this procedure caused

Based on preliminary financial statements, municipalities' operating expenses went up by EUR 1.2 billion or 3.4 per cent. They totalled EUR 37.1 billion. The increase in operating expenses was particularly affected by purchases of services growing by EUR 1.0 billion. Personnel expenses went up by EUR 134 million from the previous year. Operating revenue grew by EUR 345 million and amounted to EUR 7.5 billion, which was 4.8 per cent higher than one year before. The increase was particularly affected by growing sales revenue and other operating revenue.

According to preliminary data, municipalities' tax revenues decreased by EUR 118 million or 0.5 per cent from the year before. The drop in tax revenues was mostly due to the share of income taxes decreasing by EUR 166 million. Municipalities' share of corporation taxes decreased by EUR 23 million, but municipalities still received more other tax revenue than in 2017. In all, EUR 45 million less central government transfers to local government were directed at municipalities, which was equivalent to a 0.5 per cent drop in the income item. Tax funding formed of tax revenue and central government transfers to local government was EUR 30.9 billion. Calculated per capita, municipalities received a total of EUR 5,604 in tax funding.²⁾

The lower tax funding and weaker operating margin mainly explained the EUR 1.2 billion weaker annual contribution margin than in 2017. Based on preliminary data, the annual contribution margin was negative in 45 municipalities in 2018, while there were four municipalities with a negative margin the year before. The annual contribution margin covered 94.2 per cent of municipalities' depreciations. The index was weaker than in the previous year, when the annual contribution margin covered 149.0 per cent of depreciations.

Municipalities' total net investments amounted to EUR 2.8 billion in 2018. The increase from the previous year was EUR 411 million or 17.2 per cent. Municipalities' loan stock grew from the previous year by EUR 601 million, totalling EUR 16.8 billion. The loan stock was 3.7 per cent higher than in the year before. Calculated per inhabitant, the loans of municipalities were EUR 3,039.³⁾ Municipalities' equity ratio, which describes the ratio of equity to total capital, was 59.6 per cent. The ratio fell from the previous year's 60.8 per cent.

Finances of joint municipal authorities

According to preliminary financial statement data, joint municipal authorities' combined operating expenses amounted to EUR 14.8 billion and operating revenue to EUR 15.4 billion in 2018. Compared with the actual financial statement data of the previous year, operating expenses went up by EUR 1.2 billion or 8.6 per cent. Operating revenue increased by EUR 1.1 billion, which meant a growth of 7.6 per cent from the previous year.

The annual contribution margin of joint municipal authorities weakened from the previous year by EUR 83 million and totalled EUR 591 million. Thus, the annual contribution margin was 12.3 per cent lower compared with the previous year. The annual contribution margin covered 95.9 per cent of joint municipal authorities' depreciations.

Net investments fell by EUR 15.5 million from 2017 and amounted to EUR 1.0 billion. The loan stock of joint municipal authorities increased to EUR 3.9 billion during 2018, which translates to a 12.0 per cent growth from 2017.

Finances of municipal groups

around one-third of the growth in municipalities' external operating expenses and approximately at least the entire growth in operating revenue. The effect does not extend to the time prior to the year 2018.

2) The population data used were the population of Finland on 31 December 2018.

3) The population data used were the population of Finland on 31 December 2018.

According to preliminary financial statement data for 2018, the operating margin of municipal groups totalled EUR -27.0 billion. The operating margin was EUR 2.3 billion stronger than the operating margin of municipalities. The annual contribution margin of municipal groups weakened by EUR 1.2 billion from the previous year and totalled EUR 4.8 billion. Municipal groups' annual contribution margin was EUR 2.7 billion better than that of municipalities. In 2018, there were 13 municipal groups with negative annual contribution margins, while there were none in the year before.

The net investments of municipal groups amounted to EUR 6.2 billion, which was EUR 413 million more than in the year before. Municipal groups' loan stock grew by EUR 1.4 billion from the previous year and totalled EUR 36.1 billion. The loan stock grew by 3.9 per cent during 2018. The loans of municipal groups per inhabitant were EUR 6,537.⁴⁾

The statistics on local government finances comprise financial statement data on 298 municipal groups.⁵⁾

Information on the statistics

Financial statement data are collected annually from all Finnish municipalities and joint municipal authorities and their enterprises and groups for compiling statistics on municipalities' preliminary financial statement data. Data are released as preliminary in the spring following each statistical year and as final in autumn together with other financial data.

The data reported to Statistics Finland for the statistics are released as is at unit level in Statistics Finland's [Data on finances reported by municipalities and joint municipal authorities](#) database.

4) The population data used were the population of Finland on 31 December 2018.

5) All municipalities do not compile consolidated financial statements.

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Appendix tables

Appendix table 1. Data on municipalities and joint municipal authorities' financial statements in 2018*, EUR million ¹⁾

	Municipalities		Joint municipal authorities	
	2018	Change, %	2018	Change, %
Operating revenue total	7 534	4,8	15 443	7,6
Sales revenue	3 353	11,8	14 239	6,9
Fees and charges	1 640	-4,7	680	9,2
Subsidies and grants received	502	0,4	276	28,7
Other operating revenue	2 040	3,7	248	22,5
Operating expenses total	37 086	3,4	14 780	8,6
Personnel expenses total	13 663	1,0	6 942	4,1
Purchases of services	18 369	5,8	5 201	16,3
Materials, supplies and goods	1 851	-0,2	1 835	5,7
Allowances and grants	2 003	0,8	234	13,5
Other operating expenses	1 200	6,7	568	7,4
Operating margin +/-	-29 240	3,5	672	-10,9
Tax revenue total	22 428	-0,5		
Municipal income tax	18 758	-0,9		
Share of corporation tax	1 876	-1,2		
Other tax income	1 794	4,1		
Central government transfers to local government	8 496	-0,5		
Financing income and expenses +/-	391	-13,7	-82	1,2
Annual contribution margin +/-	2 075	-36,8	591	-12,3
Depreciations and reduction in value	2 203	-0,1	616	1,1
Net investments	2 798	17,2	1 038	-1,5
Liquid assets 31st Dec	4 923	-5,9	1 113	-4,9
Loan stock 31st Dec	16 771	3,7	3 881	12,0
*Preliminary data				

1) Changes are calculated compared to the previous year.

Appendix table 2. Key figures by region in 2018* ¹⁾

	Municipalities' annual contribution margin, EUR per capita		Municipalities' loan stock, EUR per capita		Groups' loan stock, EUR per capita	
	2018	Change, %	2018	Change, %	2018	Change, %
Whole country	376	-36,9	3 039	3,6	6 537	3,8
Uusimaa	723	-19,7	2 638	-1,5	7 893	1,0
Varsinais-Suomi	113	-68,0	3 161	8,3	5 336	6,3
Satakunta	152	-70,0	2 234	7,5	4 221	8,6
Kanta-Häme	263	-38,1	3 221	2,6	5 127	-1,2
Pirkanmaa	248	-45,3	2 732	11,4	5 557	12,7
Päijät-Häme	368	-29,5	4 966	4,2	7 228	4,1
Kymenlaakso	104	-75,9	3 975	10,2	6 640	3,4
South Karelia	267	-43,6	2 537	-0,7	6 285	1,8
Etelä-Savo	166	-67,2	3 530	8,5	7 027	4,7
Pohjois-Savo	294	-38,9	2 972	5,2	7 209	2,4
North Karelia	360	-39,6	2 288	1,3	4 907	1,2

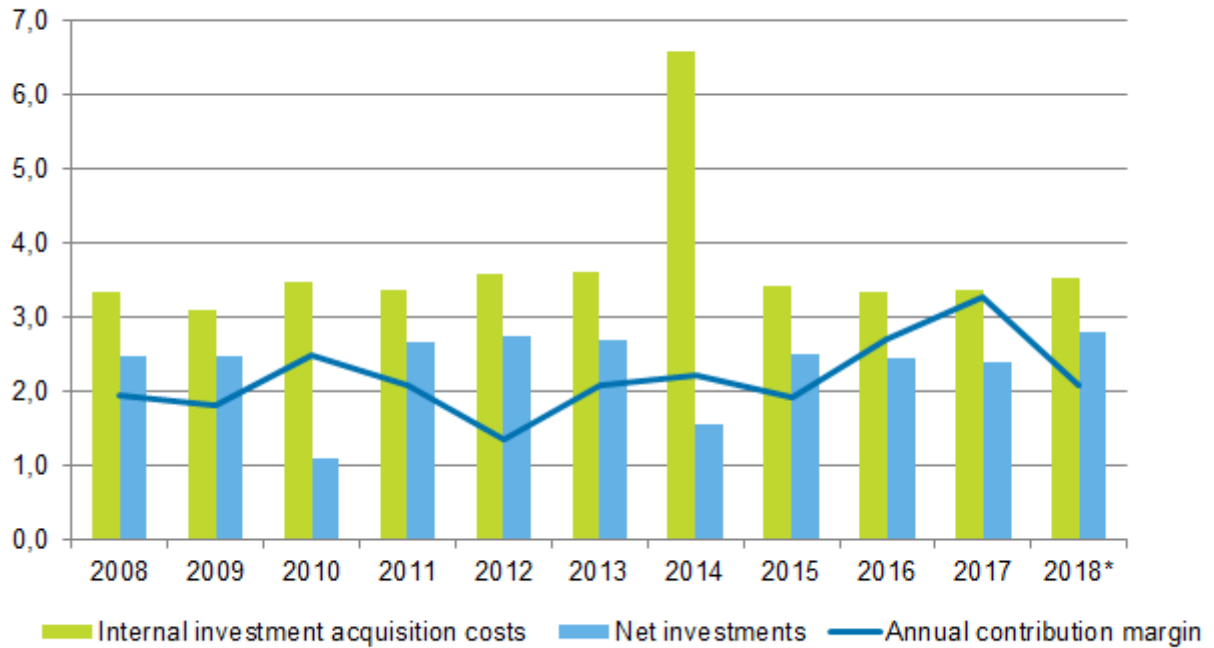
	Municipalities' annual contribution margin, EUR per capita		Municipalities' loan stock, EUR per capita		Groups' loan stock, EUR per capita	
	2018	Change, %	2018	Change, %	2018	Change, %
Central Finland	322	-35,5	2 840	-3,8	7 020	6,0
South Ostrobothnia	238	-51,4	3 851	5,7	7 268	6,1
Ostrobothnia	258	-42,7	3 477	6,3	6 187	6,7
Central Ostrobothnia	215	-45,2	4 668	-5,2	8 497	-5,6
North Ostrobothnia	243	-53,3	3 659	5,8	5 150	4,5
Kainuu	8	-98,0	3 253	4,3	7 948	16,3
Lapland	115	-72,4	2 978	11,4	4 889	5,5
Åland	341	-49,3	1 387	-8,3	2 758	-7,7
*Preliminary data						

1) The population data used are the population of each statistical reference year on 31 December. Changes are calculated compared to the previous year.

Appendix figures

Appendix figure 1. Municipalities' internal investment acquisition costs, net investments and annual contribution margin in 2008 to 2018*

EUR Billion



*) The data concerning 2018 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.

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