

Local government finances

Preliminary data on the financial statements 2020

Data from preliminary financial statements show that local government finances strengthened clearly in 2020

The preliminary financial statement data collected by Statistics Finland show that the estimate data released in the early part of the year on the strengthening of local government finances in 2020 are real. The strengthening was mainly based on tax funding consisting of central government transfers to local government and tax revenue that was larger than in the year before. The EUR 3.3 billion increase in tax funding covered the weakening of the operating margin and pushed the annual margin and the result for the financial period up clearly compared with the actual financial statement data for the previous year. These data appear from Statistics Finland's statistics on local government finances, for which preliminary financial statement data were collected from Finland's all 310 municipalities and 136 joint municipal authorities.

Finances of municipalities and municipal groups in 2020, EUR million¹⁾

	Municipalities		Municipal groups	
	2020	Change, %	2020	Change, %
Operating revenue, total	6 923	-4,3	26 507	-1,2
Operating expenses, total	38 606	1,4	55 512	0,9
Annual contribution margin +/-	4 089	133,9	6 913	54,1
Net investments ²⁾	3 335	21,4	7 283	6,3
Loan stock 31st Dec	19 083	3,3	41 250	5,4

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

Preliminary financial statement data show that municipalities' operating margin amounted to EUR -31.4 billion in 2020. The operating margin weakened from the actual financial statements for the previous year by a total of EUR 861 million. The weakening was explained by lower operating revenue and higher operating expenses than in the year before.

According to the preliminary financial statements, municipalities' operating expenses totalled EUR 38.6 billion. They grew by EUR 540 million or 1.4 per cent. The growth in operating expenses was mostly due to the increase of EUR 315 million in service purchases and EUR 101 million in personnel costs. In turn,

operating revenue amounted to EUR 6.9 billion and local government's total operating revenue was EUR 313 million or 4.3 per cent lower than in the year before. The decrease in operating revenue was particularly caused by a lower accumulation of fees and charges and other operating revenue.

According to preliminary financial statements, municipalities received more tax revenue and central government transfers than in the year before. Municipalities accrued a total of EUR 23.9 billion in tax revenues. Tax revenues grew by EUR 919 million or 4.0 per cent year-on-year. The growth in tax revenue was mainly due to the share of income taxes growing by EUR 985 million. Municipalities' share of corporation taxes increased by EUR 57 million. By contrast, municipalities received EUR 123 million less in other tax revenue such as real estate tax revenue than in the year before.

Central government transfers to local government totalled EUR 11.0 billion and they grew by as much as EUR 2.4 billion, which meant a 27.3 per cent growth for the income item in question. The growth in central government transfers to local government was particularly due to financial support measures directed at municipalities in connection with the corona pandemic. The total accrual of tax funding formed by tax revenue and central government transfers to local government amounted to EUR 35.0 billion and it was EUR 6,322 per capita at the level of the whole country in 2020.¹⁾

The growth in tax funding that exceeded the weakening of the operating margin in euros mainly explained the combined annual contribution margin of municipalities being EUR 2.3 billion stronger than in the previous year. Preliminary data indicate that the annual contribution margin was negative for six municipalities in 2020, while one year earlier, the total number of municipalities with a negative annual contribution margin was 74. The annual contribution margin covered 169.7 per cent of municipalities' depreciations, which meant a considerable strengthening from 75.5 per cent in the year before. Municipalities' combined result for the financial period was EUR 1.9 billion stronger than one year before and it totalled EUR 1.8 billion.

Municipalities' total net investments amounted to EUR 3.3 billion in 2020. The growth from the previous year was EUR 589 million or 21.4 per cent. Municipalities' loan stock totalled EUR 19.1 billion and, despite the strengthened result, it was EUR 618 million larger than in the previous year, which meant an increase of 3.3 per cent over the year. The loans of municipalities calculated per inhabitant were thus EUR 3,448.²⁾ Municipalities' equity ratio, which describes the ratio of equity to total capital, was 58.0 per cent. This ratio was almost the same in the final financial statements published one year ago.

Finances of joint municipal authorities

According to preliminary financial statement data for 2020, joint municipal authorities' combined operating expenses amounted to EUR 16.3 billion and operating revenue to EUR 17.0 billion. Compared with the actual financial statement data of the previous year, operating expenses went up by EUR 378 million or 2.4 per cent. In turn, operating revenue grew by EUR 429 million, which was 2.6 per cent more than one year ago.

Joint municipal authorities' annual contribution margin grew by EUR 39 million from the previous year and totalled EUR 621 million. Thus, joint municipal authorities' annual contribution margin was 6.8 per cent stronger than the level of financial statements in the previous year. The annual contribution margin covered 91.3 per cent of joint municipal authorities' depreciations. Joint municipal authorities' result for the financial year weakened by EUR 20 million from the year before and stood at EUR -55 million.

Net investments grew by EUR 85 million compared with the previous year and totalled EUR 1.4 billion. The loan stock of joint municipal authorities increased to EUR 5.5 billion during 2020, which translates to a 17.8 per cent growth from the previous year.

1) The population data used were the population of Finland on 31 December 2020.

2) The population data used were the population of Finland on 31 December 2020.

Finances of municipal groups

According to the preliminary financial statement data for 2020, the operating margin of municipal groups amounted to EUR -28.9 billion. Thus, the operating margin of municipal groups was EUR 2.4 billion better than that of municipalities. The annual contribution margin of municipal groups strengthened by EUR 2.4 billion from the previous year and totalled EUR 6.9 billion. Thus, municipal groups' annual contribution margin was EUR 2.8 billion stronger than that of municipalities. According to the data for 2020, there was one municipal group with a negative annual contribution margin, while one year earlier this was the case for 21 groups. The annual contribution margin covered 147.3 per cent of municipal groups' depreciations. Municipal groups' result for the financial period totalled EUR 2.3 billion and it strengthened by EUR 2.0 billion compared with the final financial statements of the previous year.

Municipal groups' net investments totalled EUR 7.3 billion, and they grew by EUR 431 million from the previous year. The loan stock grew by EUR 2.1 billion from the previous year and totalled EUR 41.3 billion. The growth in the loan stock amounted to 5.4 per cent during 2020. Municipal groups' amount of loan per inhabitant was EUR 7,454.³⁾

The statistics on local government finances comprise financial statement data on 297 municipal groups.⁴⁾

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.

The release of preliminary data for 2020 is Statistics Finland's last statistical release concerning preliminary data on financial statements. In its statistics on local government finances, Statistics Finland will also release other financial data concerning 2020 belonging to this set of statistics in early autumn, which will include activity-specific data on the operational economy. Starting from data for 2021, the data on local government finances will be collected and published by the State Treasury.

3) The population data used were the population of Finland on 31 December 2020.

4) 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 2020*, EUR million ¹⁾

	Municipalities		Joint municipal authorities	
	2020	Change, %	2020	Change, %
Operating revenue total	6 923	-4,3	17 012	2,6
Sales revenue	2 888	-3,4	15 609	1,5
Fees and charges	1 470	-8,6	680	-6,8
Subsidies and grants received	548	8,5	509	103,5
Other operating revenue	2 017	-5,4	214	-6,3
Operating expenses total	38 606	1,4	16 307	2,4
Personnel expenses total	13 706	0,7	7 572	2,0
Purchases of services	19 663	1,6	5 746	2,2
Materials, supplies and goods	1 805	-1,0	1 944	3,0
Allowances and grants	2 106	4,7	373	9,4
Other operating expenses	1 326	3,8	672	2,5
Operating margin +/-	-31 360	2,8	715	7,8
Tax revenue total	23 938	4,0		
Municipal income tax	20 222	5,1		
Share of corporation tax	1 967	3,0		
Other tax income	1 748	-6,6		
Central government transfers to local government	11 047	27,3		
Financing income and expenses +/-	464	-16,0	-94	15,5
Annual contribution margin +/-	4 089	133,9	621	6,8
Depreciations and reduction in value	2 409	4,0	681	9,2
Net investments	3 335	21,4	1 382	6,6
Liquid assets 31st Dec	6 487	27,4	1 454	19,8
Loan stock 31st Dec	19 083	3,3	5 511	17,8
*Preliminary data				

1) Changes are calculated compared to the previous year.

Appendix table 2. Key figures by region in 2020* ¹⁾

	Municipalities' annual contribution margin, EUR per capita		Municipalities' loan stock, EUR per capita		Groups' loan stock, EUR per capita	
	2020	Change	2020	Change	2020	Change
Whole country	739	422	3 448	107	7 454	373
Uusimaa	988	387	3 044	158	8 919	518
Southwest Finland	533	458	3 072	-134	5 273	-171
Satakunta	597	533	2 666	5	4 850	11
Kanta-Häme	610	412	3 442	127	5 447	159
Pirkanmaa	706	401	3 368	216	6 779	542
Päijät-Häme	864	627	5 619	304	7 890	394
Kymenlaakso	771	610	4 101	-287	7 290	-146
South Karelia	484	97	3 016	54	6 730	140
South Savo	767	614	4 230	159	7 788	115
North Savo	550	388	3 574	330	8 251	494
North Karelia	837	494	2 459	-21	5 433	122

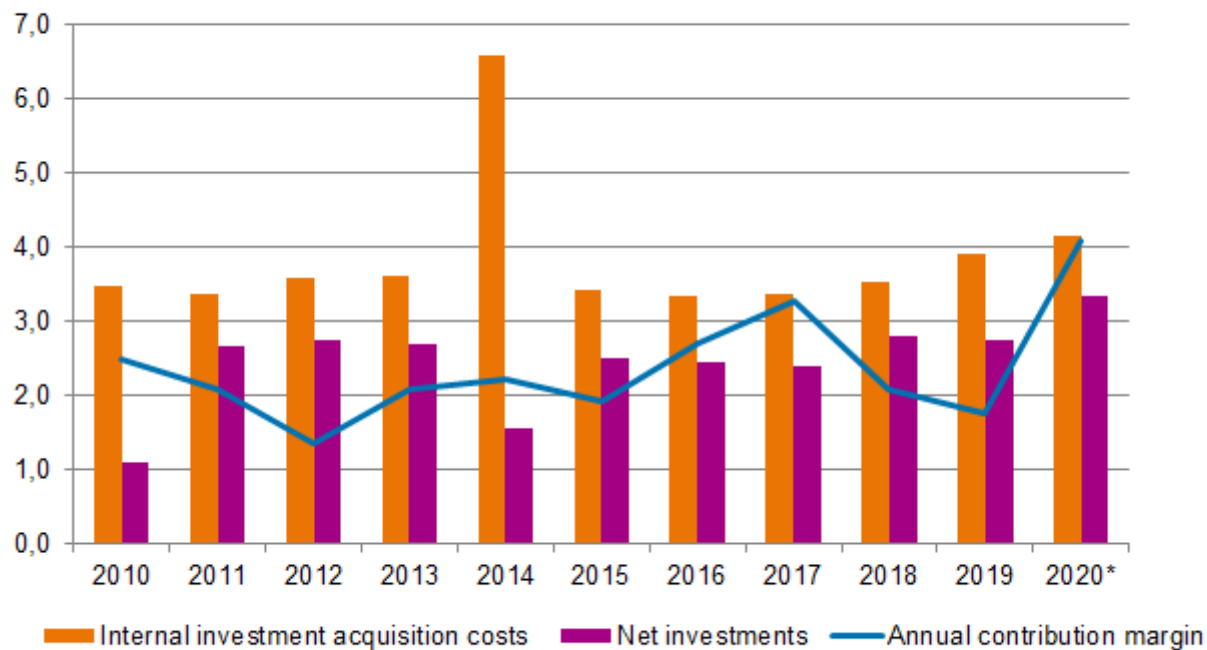
	Municipalities' annual contribution margin, EUR per capita		Municipalities' loan stock, EUR per capita		Groups' loan stock, EUR per capita	
	2020	Change	2020	Change	2020	Change
Central Finland	593	496	3 130	-80	7 948	184
South Ostrobothnia	581	460	4 417	104	8 115	354
Ostrobothnia	738	463	4 136	130	7 348	405
Central Ostrobothnia	632	442	5 220	431	9 356	540
North Ostrobothnia	541	356	4 186	182	6 575	851
Kainuu	222	-635	3 503	-99	12 494	1128
Lapland	599	599	3 545	105	5 792	330
Åland	516	499	1 638	146	2 579	-77
*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 2010 to 2020*

EUR Billion



*) The data concerning 2020 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

Karen Asplund 029 551 3611

Jens Melfsen 029 551 2578

Head of Department in
charge:

Katri Kaaja

kuntatalous@stat.fi

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

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