

# Local government finances

## Preliminary data on the financial statements 2019

### Preliminary financial statement data verify the estimate of weakening in local government finances in 2019

The preliminary financial statement data of the statistics on local government finances confirm the estimate of weakening in local government finances in 2019 published by Statistics Finland in the early part of the year. The weakening was mostly based on growth in operating expenses, which growth in tax funding consisting of tax revenue and central government transfers to local government could not, however, cover. As a result, the annual contribution margin was EUR 327 million weaker compared to the actual financial statement data for the previous year. For the statistics on local government finances Statistics Finland collected preliminary financial statement data from Finland's all 311 municipalities and 139 joint municipal authorities.

#### Finances of municipalities and municipal groups in 2019, EUR million<sup>1)</sup>

	Municipalities		Municipal groups	
	2019	Change, %	2019	Change, %
Operating revenue, total	7 252	-3,8	26 834	3,2
Operating expenses, total	38 081	2,7	54 996	3,7
Annual contribution margin +/-	1 748	-15,8	4 487	-5,6
Net investments <sup>2)</sup>	2 746	-1,8	6 852	9,7
Loan stock 31st Dec	18 465	10,1	39 126	8,5

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 for 2019, the local government operating margin amounted to EUR -30.5 billion. Compared to the actual financial statement data one year earlier, it weakened by a total of EUR 1.3 billion or 4.3 per cent. The weakening of the operating margin was primarily based on an increase in operating expenses. In the comparison year 2018 operating expenses and revenue increased to some extent as a result of exceptional accounting procedures on some service purchases between municipalities and joint municipal authorities, which did not have a net effect on the operating margin.<sup>1)</sup>

1) A number of municipalities transferred in 2018 the responsibility for the organisation of health care and social 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

Based on preliminary data, municipalities' operating expenses went up by EUR 995 million or 2.7 per cent. They amounted to EUR 38.1 billion. The increase in operating expenses was especially due to purchases of services growing by EUR 978 million. In contrast, personnel expenses decreased by EUR 58 million from the year before. In turn, operating revenue declined by EUR 283 million and amounted to EUR 7.3 billion, which was 3.8 per cent less than one in the preceding year. The decrease in operating revenue was particularly caused by lower sales revenue and accumulated fees and charges.<sup>2)</sup>

According to preliminary data, municipalities' tax revenue grew by EUR 590 million or 2.6 per cent compared with the year before. The growth in tax revenue was mainly due to the share of income taxes growing by EUR 479 million. Municipalities' share of corporation taxes increased by EUR 35 million. Municipalities also accrued EUR 76 million more other tax revenue than in the previous year. The amount of central government transfers to local government grew by EUR 181 million, which meant an increase of 2.1 per cent in the income item in question. Tax funding formed of tax revenue and central government transfers to local government was EUR 31.7 billion. Calculated per inhabitant, the tax funding revenue of municipalities was EUR 5,736.<sup>3)</sup>

The operating margin weakening and tax funding growth remaining lower than that mainly explain the EUR 327 million weaker annual contribution margin than in the previous year. The preliminary data indicate that the annual contribution margin was negative for 74 municipalities in 2019, while in the year preceding it, 46 municipalities were found to have a negative annual contribution margin. The annual contribution margin covered 75.5 per cent of municipalities' depreciations, which meant weakening in this key figure from the previous year's 94.2 per cent.

In 2019, municipalities' net investments were EUR 2.7 billion. The decrease from the previous year was EUR 52 million or 1.8 per cent. Municipalities' loan stock grew from the previous year by EUR 1.7 billion, totalling EUR 18.5 billion. Thus, the loan stock was as much as 10.1 per cent higher than in the year before. Calculated per capita, the loans of municipalities were EUR 3,342.<sup>4)</sup> Municipalities' equity ratio, which describes the ratio of equity to total capital, was 57.9 per cent. The ratio was weaker than in the in the preceding year when it was 59.6 per cent.

## Finances of joint municipal authorities

According to preliminary financial statement data, joint municipal authorities' combined operating expenses amounted to EUR 15.9 billion and operating revenue to EUR 16.6 billion in 2019. Compared with the actual financial statement data of one year ago, operating expenses went up by EUR 1.2 billion or 7.8 per cent. Operating revenue increased by EUR 1.1 billion, which meant a growth of 7.4 per cent from the previous year.

Joint municipal authorities' annual contribution margin was EUR nine million weaker than in the previous year and totalled EUR 582 million. Thus the annual contribution margin was 1.5 per cent lower than one year ago. The annual contribution margin covered 93.3 per cent of joint municipal authorities' depreciations.

Net investments grew by EUR 259 million from the previous year and amounted to EUR 1.3 billion. The loan stock of joint municipal authorities increased to EUR 4.7 billion during 2019, which translates to a 20.6 per cent growth from 2018.

## Finances of municipal groups

and expenses in 2018, but it did not have a net effect on the operating margin. In 2019, the services were transferred to be produced by the joint municipal authority and the exceptional recording procedure ended, which decreased the operating expenses and revenue of these municipalities from the year before.

2) The structure of expenses and revenue was influenced not only by the ending of the above-mentioned exceptional accounting procedures but also by changes in the production of health care and social services.

3) The population data used were the population of Finland on 31 December 2019.

4) The population data used were the population of Finland on 31 December 2019.

According to preliminary financial statement data for 2019, the operating margin of municipal groups totalled EUR -28.1 billion. The operating margin was EUR 2.4 billion stronger than the operating margin of municipalities. The annual contribution margin of municipal groups weakened by EUR 266 million from the previous year and totalled EUR 4.5 billion. Municipal groups' annual contribution margin was EUR 2.7 billion better than that of municipalities. According to the data for 2019, there were 21 municipal groups with a negative annual contribution margin, while one year earlier they numbered 13. Of group depreciations, the annual contribution margin covered 100.2 per cent.

The net investments of municipal groups amounted to EUR 6.9 billion, which was EUR 607 million more than in the year before. Municipal groups' loan stock grew by EUR 3.1 billion from the previous year and totalled EUR 39.1 billion. The loan stock grew by 8.5 per cent during 2019. The loans of municipal groups per inhabitant were EUR 7,081.<sup>5)</sup>

The statistics on local government finances comprise financial statement data on 298 municipal groups.<sup>6)</sup>

## 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.

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5) The population data used were the population of Finland on 31 December 2019.

6) 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 2019\*, EUR million <sup>1)</sup>**

	Municipalities		Joint municipal authorities	
	2019	Change, %	2019	Change, %
Operating revenue total	7 252	-3,8	16 585	7,4
Sales revenue	2 989	-11,0	15 376	8,0
Fees and charges	1 608	-1,8	730	7,3
Subsidies and grants received	505	0,7	250	-9,3
Other operating revenue	2 149	5,5	229	-7,6
Operating expenses total	38 081	2,7	15 930	7,8
Personnel expenses total	13 606	-0,4	7 424	6,9
Purchases of services	19 346	5,3	5 624	8,1
Materials, supplies and goods	1 823	-1,5	1 887	2,8
Allowances and grants	2 016	0,6	341	45,7
Other operating expenses	1 291	7,5	655	15,4
Operating margin +/-	-30 499	4,3	663	-1,4
Tax revenue total	23 018	2,6		
Municipal income tax	19 237	2,6		
Share of corporation tax	1 910	1,9		
Other tax income	1 871	4,3		
Central government transfers to local government	8 677	2,1		
Financing income and expenses +/-	552	41,3	-81	-0,4
Annual contribution margin +/-	1 748	-15,8	582	-1,5
Depreciations and reduction in value	2 317	5,2	624	1,3
Net investments	2 746	-1,8	1 296	24,9
Liquid assets 31st Dec	5 093	3,5	1 214	9,0
Loan stock 31st Dec	18 465	10,1	4 679	20,6
*Preliminary data				

1) Changes are calculated compared to the previous year.

**Appendix table 2. Key figures by region in 2019\* <sup>1)</sup>**

	Municipalities' annual contribution margin, EUR per capita		Municipalities' loan stock, EUR per capita		Groups' loan stock, EUR per capita	
	2019	Change, %	2019	Change, %	2019	Change, %
Whole country	316	-15,9	3 342	9,9	7 081	8,3
Uusimaa	601	-16,8	2 886	9,4	8 401	6,4
Southwest Finland	74	-34,3	3 206	1,4	5 445	2,0
Satakunta	64	-57,9	2 662	19,2	4 839	14,7
Kanta-Häme	197	-24,9	3 315	2,9	5 288	3,1
Pirkanmaa	305	22,9	3 152	15,4	6 237	12,2
Päijät-Häme	237	-35,5	5 315	7,0	7 496	3,7
Kymenlaakso	161	55,2	4 388	10,4	7 436	12,0
South Karelia	387	44,9	2 963	16,8	6 590	4,9
South Savo	153	-8,0	4 071	15,3	7 673	9,2
North Savo	162	-44,9	3 244	9,2	7 757	7,6
North Karelia	342	-4,9	2 479	8,4	5 311	8,2

	Municipalities' annual contribution margin, EUR per capita		Municipalities' loan stock, EUR per capita		Groups' loan stock, EUR per capita	
	2019	Change, %	2019	Change, %	2019	Change, %
Central Finland	97	-69,9	3 209	13,0	7 764	10,6
South Ostrobothnia	120	-49,3	4 313	12,0	7 761	6,8
Ostrobothnia	275	6,6	4 005	15,2	6 943	12,2
Central Ostrobothnia	190	-11,4	4 789	2,6	8 816	3,7
North Ostrobothnia	185	-24,0	4 004	9,4	5 724	11,2
Kainuu	857	11004,1 <sup>2)</sup>	3 602	10,7	11 366	43,0
Lapland	0	-100,3	3 440	15,5	5 462	11,7
Åland	16	-95,3	1 492	7,5	2 657	-3,7
*Preliminary data						

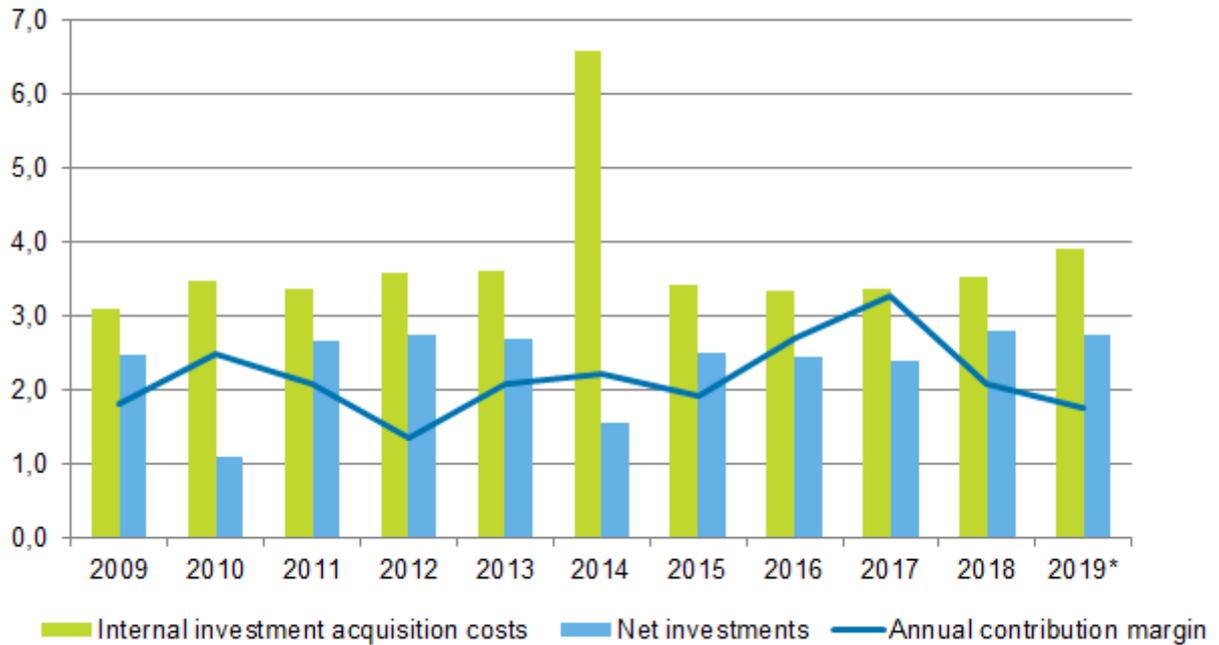
1) The population data used are the population of each statistical reference year on 31 December. Changes are calculated compared to the previous year.

2) The change is explained by a considerable growth in financing income in 2019.

# Appendix figures

**Appendix figure 1. Municipalities' internal investment acquisition costs, net investments and annual contribution margin in 2009 to 2019\***

EUR Billion



\*) The data concerning 2019 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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Source: Local government finances 2019, preliminary data. Statistics Finland