

# Local government finances

## Preliminary data on the financial statements 2016

### Moderate cost development for municipalities' finances on 2016

According to preliminary financial statement data for 2016, municipalities' combined operating expenses totalled EUR 36.7 billion. The growth in operating expenses amounted to 0.5 per cent compared with the financial statement data for the previous year. The operating revenue amounted to EUR 7.7 billion, which represented a growth of 1.5 per cent from the previous year's level. These data appear from Statistics Finland's statistics on local government finances, for which preliminary financial statement data were collected from Finland's all 313 municipalities and 144 joint municipal authorities.

#### Finances of municipalities and municipal groups in 2016, EUR million<sup>1)</sup>

	Municipalities		Municipal groups	
	2016	Change, %	2016	Change, %
Operating revenue, total	7 661	1,5	23 951	1,7
Operating expenses, total	36 679	0,5	50 506	1,1
Annual contribution margin	2 718	42,2	5 316	18,9
Net investments <sup>2)</sup>	2 441	-2,8	5 650	5,0
Loan stock 31st Dec	16 139	3,7	33 804	3,1

1) Preliminary data

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

### Finances of municipalities

According to preliminary data, the combined operating margin of municipalities was EUR -28.6 billion in 2016. It weakened from the previous year by EUR 142 million or 0.5 per cent. The slight decrease in the operating margin was affected by to the moderate growth in operating expenses and the increase in operating revenue.

Operating expenses grew by EUR 188 million or 0.5 per cent. The slight growth in operating expenses was particularly caused by the lowering of personnel costs by EUR 202 million. Personnel costs went down in total by 1.4 per cent from the previous year. The operating revenue grew EUR 110 million or 1.5 per cent. The operating revenue increased most due to the growth in fees and charges, and other operating income.

Municipalities' tax funding, which consists of tax revenue and central government transfers to local government, grew by EUR 928 million, or 3.1 per cent. The share of central government transfers in the growth of tax funding was EUR 596 million and that of tax revenues EUR 332 million. The biggest part of the growth in tax revenue was formed by income taxes, which increased the revenue by EUR 367 million. Municipalities' share of corporation taxes decreased, in turn, by EUR 95 million. The growing tax funding covered the weakening of the operating margin and the annual contribution margin improved by EUR 806 million, or 42.2 per cent.

In 2016, the annual contribution margin was negative for 15 municipalities, while in the year before, this was so for 16 municipalities. According to the combined financial statement data, the annual contribution margin covered 127.9 per cent of depreciations. The key figure in question improved from the previous year, when the annual contribution margin covered 91.4 per cent of depreciations.

In 2016, municipalities' net investments were EUR 2.4 billion. The decrease from the previous year amounted to EUR 71 million or 2.8 per cent. Municipalities' combined loan stock grew from the previous year by EUR 580 million, totalling EUR 16.1 billion. The loan stock was 3.7 per cent greater than in the previous year. Calculated per inhabitant, the loans of municipalities were EUR 2,933.<sup>1)</sup> Municipalities' equity ratio, or the ratio of equity to total capital, was 59.9 per cent. The ratio went down slightly from the previous year, when it was 60.2 per cent.

## Finances of joint municipal authorities

In 2016, joint municipal authorities' combined operating expenses amounted to EUR 12.5 billion and operating revenue to EUR 13.2 billion. Compared with the previous year, operating expenses went up by EUR 269 million or 2.2 per cent. Operating revenue grew by EUR 190 million, and was in all 1.5 per cent more than in the year before.

The combined annual contribution margin weakened from the previous year by EUR 81 million and totalled EUR 704 million. It was 10.3 per cent lower than one year ago. The annual contribution margin covered 118.5 per cent of depreciations.

Joint municipal authorities' net investments grew by EUR 91 million compared with the previous year and totalled EUR 823 million. At the end of 2016, joint municipal authorities' loan stock totalled EUR 3.2 billion. During 2016, the loan stock grew in total by EUR 129 million, or by 4.2 per cent.

## Finances of municipal groups

In 2016, the operating margin of municipal groups totalled EUR -26.5 billion. It was EUR 2.1 billion stronger than municipalities' operating margin. The combined annual contribution margin of groups improved from the previous year by EUR 846 million and totalled EUR 5.3 billion. Municipal groups' annual contribution margin was EUR 2.6 billion better than that of municipalities. The annual contribution margin was negative for five municipal groups, while in the previous year, no municipal groups faced such a situation.

The net investments of municipal groups amounted to EUR 5.7 billion, which was EUR 268 million more than in the year before. The combined loan stock increased by EUR 1.0 billion and totalled EUR 33.8 billion. The loan stock of municipal groups was 3.1 per cent greater than in the previous year. The loans of municipal groups per inhabitant were EUR 6,143.<sup>2)</sup>

The statistics comprise data on 299 municipal groups.<sup>3)</sup>

1) The population data used were the population of Finland on 31 December 2016.

2) The population data used were the population of Finland on 31 December 2016.

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

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# Appendix tables

**Appendix table 1. Data on municipalities and joint municipal authorities' financial statements in 2016\*, EUR million <sup>1)</sup>**

	Municipalities		Joint municipal authorities	
	2016	Change, %	2016	Change, %
Operating revenue total	7 661	1,5	13 247	1,5
Sales revenue	3 271	0,8	12 350	1,2
Fees and charges	1 835	3,3	537	11,7
Subsidies and grants received	770	-5,4	185	-4,6
Other operating revenue	1 784	4,0	175	0,0
Operating expenses total	36 679	0,5	12 459	2,2
Personnel expenses total	14 499	-1,4	6 284	-0,4
Purchases of services	16 685	1,4	3 915	6,2
Materials, supplies and goods	1 868	0,8	1 632	2,6
Allowances and grants	2 586	3,3	183	1,9
Other operating expenses	1 041	5,5	446	4,4
Operating margin	-28 573	0,5	795	-8,9
Tax revenue total	22 100	1,5		
Municipal income tax	18 903	2,0		
Share of corporation tax	1 552	-5,8		
Other tax income	1 645	3,8		
Central government transfers to local government	8 830	7,2		
Financing income and expenses	361	5,8	-90	3,7
Annual contribution margin	2 718	42,2	704	-10,3
Depreciations and reduction in value	2 125	1,6	594	3,8
Net investments	2 441	-2,8	823	12,4
Liquid assets 31st Dec	4 638	11,8	1 047	7,9
Loan stock 31st Dec	16 139	3,7	3 176	4,2
*Preliminary data				

1) Changes are calculated compared to the previous year.

**Appendix table 2. Key figures by region in 2016\* <sup>1)</sup>**

	Municipalities' annual contribution margin, EUR per capita		Municipalities' loan stock, EUR per capita		Groups' loan stock, EUR per capita	
	2016	Change, %	2016	Change, %	2016	Change, %
Whole country	494	41,8	2 933	3,4	6 143	2,8
Uusimaa	744	74,1	2 840	0,6	7 660	3,3
Varsinais-Suomi	383	23,8	2 721	4,7	4 890	0,1
Satakunta	444	75,4	1 949	3,9	3 840	-0,2
Kanta-Häme	287	-10,8	3 234	9,5	5 116	5,9
Pirkanmaa	400	23,0	2 420	10,0	4 672	6,3
Päijät-Häme	370	29,1	4 711	1,3	6 380	-0,5
Kymenlaakso	322	41,7	3 500	1,9	6 446	0,7
South Karelia	393	6,4	2 562	-0,4	6 176	0,0
Etelä-Savo	410	54,8	3 270	6,7	6 448	4,8
Pohjois-Savo	369	5,7	2 758	4,5	6 875	0,9
North Karelia	444	-0,5	2 070	7,5	4 539	4,7

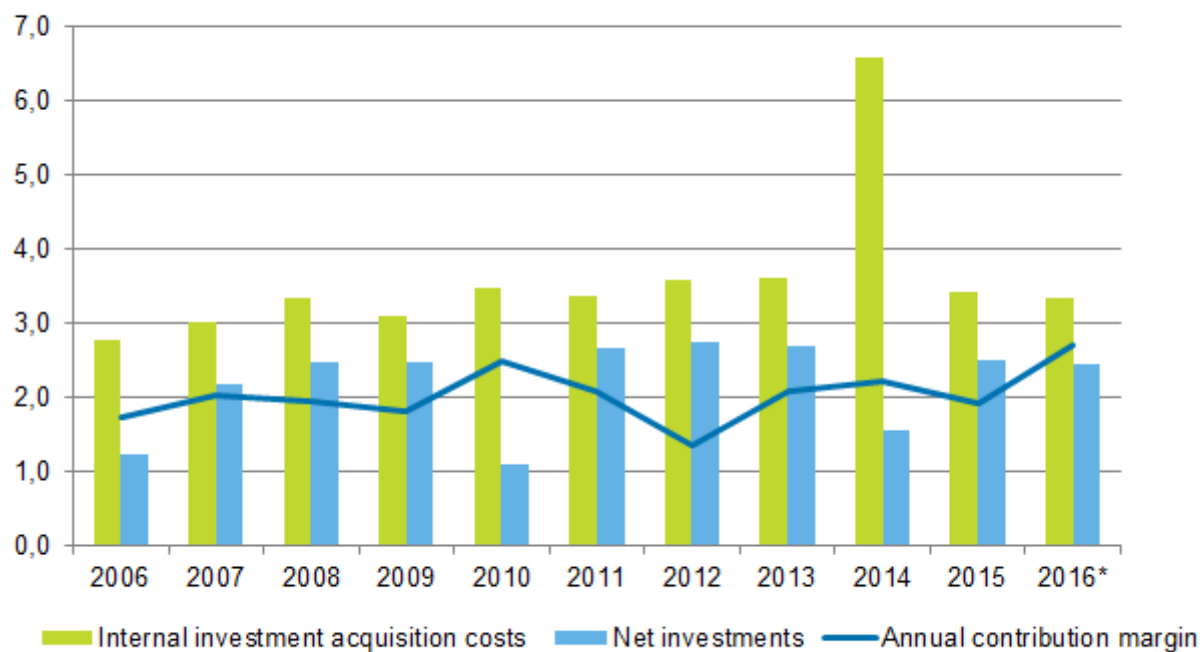
	Municipalities' annual contribution margin, EUR per capita		Municipalities' loan stock, EUR per capita		Groups' loan stock, EUR per capita	
	2016	Change, %	2016	Change, %	2016	Change, %
Central Finland	427	15,7	3 038	-0,5	6 626	1,5
South Ostrobothnia	411	66,7	3 442	5,1	6 439	6,1
Ostrobothnia	387	66,3	3 073	6,4	5 621	5,6
Central Ostrobothnia	236	-8,6	4 758	-1,6	8 781	-3,2
North Ostrobothnia	379	-6,7	3 460	4,7	4 998	2,5
Kainuu	352	25,5	2 774	19,9	6 260	9,5
Lapland	382	97,6	2 678	4,1	4 732	0,0
Åland	784	32,4	1 706	-8,6	3 248	-2,9
*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 2006 to 2016\***

EUR Billion



\*) The data concerning 2016 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  
Director in charge:  
Ville Vertanen

kuntatalous@stat.fi  
[http://tilastokeskus.fi/til/kta/index\\_en.html](http://tilastokeskus.fi/til/kta/index_en.html)  
Source: Local government finances 2016, preliminary data. Statistics Finland