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Description of monthly data on public finances (Council Directive 2011/85/EU)

Introduction

In compliance with Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States, these pages provide monthly data on Finnish public finances, broken down by government subsectors. Figures are given for the revenues and expenditures of central government, employment pension schemes and other social security funds. Data are provided for total revenues, total expenditures and fiscal balances. These figures are complemented by additional links to primary data sources that are expected to be useful for monitoring public finances.

General government in Finland consist of central government, local government and social security funds. Social security funds consist of two subsectors, employment pension schemes that manage statutory earnings-related pension insurance and other social security funds. In 2015 central government accounted for around 39% of *unconsolidated* general government expenditure, local government for 33%, and the social security sector for 29%. The corresponding figures for *consolidated* general government expenditure were 27%, 40% and 33 %, respectively.

Other information sources

Under the National Accounts framework, Statistics Finland also compiles and publishes quarterly sector accounts for general government by subsectors. These figures are available within less than three months from the end of each quarter in the statistics General government revenue and expenditure by quarter. Data are available from 1999 onwards on some 40 different transactions. Seasonally adjusted time series are also available. Statistics Finland's quarterly sector accounts are the principal data source in monitoring Finnish public finances in the short term.

Monthly or quarterly data on public finances in Finland are also compiled and published at least by the State Treasury, the tax administration, the Social Insurance Institution (Kela), the Unemployment Insurance Fund (TVR) and the Finnish Pension Alliance. The Finnish State Internet Reporting service Netra compiles monthly data from the government's central accounting service. Netra is an open access service that contains a wide range of data on central government finances as well as monthly monitoring data.

Data collection and publication

For the time being the data required by Council Directive 2011/85/EU shall be provided as follows: Quarterly data will be published by Statistics Finland in accordance with ESA2010 and monthly data by the Ministry of Finance. Monthly data on central government will mainly come from the State Treasury. Compiled data will to some extent rely on estimates in order to produce more comprehensive data on certain extrabudgetary units. Data on employment pension institutions will be compiled by Statistics Finland and monthly data on other social security funds will be provided for compilation by the Social Insurance Institution and the Unemployment Insurance Fund. Data has been compiled till the end of 2016 by the Ministry of Finance. From the beginning of 2017 data will be compiled by Statistics Finland, which will provide it to the MoF to be published at the website of the Ministry.

Monthly data on central government

Sector definition

Under the National Accounts system (ESA 2010) the central government sector is defined as comprising amongst other things on-budget resources, off-budget funds (excluding the State Pension Fund), universities, the Finnish Broadcasting Company YLE, Solidium Oy and VTT Technical Research Centre of Finland Ltd. The detailed list of the units included to general government sector can be found at the [website of Statistics Finland](#).

The State Treasury compiles data on on-budget entities and on the 11 off-budget funds. On-budget entities include about 60 separate accounting units. In the National Accounts framework the State Pension Fund is classified under the employment pension schemes sector. Other off-budget funds are classified under the central government sector. In 2015 on-budget revenue came to EUR 53.4 billion and expenditure to EUR 53.7 billion. In 2015 off-budget funds reported revenues of EUR 3.9 billion (excluding financial transactions) and expenditures of EUR 3.5 billion (excluding financial transactions).

The off-budget funds are the Housing Fund of Finland, the State Pension Fund, the Agriculture and Forestry Development Fund, the State Nuclear Waste Management Fund, the Security of Supply Fund, the State Guarantee Fund, the National Television and Radio Fund, the Agriculture Intervention Fund, the Fire Protection Fund, Financial Stability Fund and the Oil Pollution Compensation Fund.

Funding for *universities* consists of appropriations allocated to universities in the State Budget and supplementary funding sources (paid services, donations, income on investment). The bulk of university funding comes from the State Budget. In 2015 the volume of university funding amounted to EUR 2.7 billion, EUR 2.2 billion or 80% of which came from the State Budget. The Universities Act stipulates that one-twelfth of the annual funding set aside for universities shall be paid out from the State Budget on the third day of each month. Universities submit their financial statements to the Ministry of Education and Culture once a year. The Ministry does not receive more frequent information on universities' finances.

The Finnish Broadcasting Company YLE is a public service broadcaster that produces television, radio and online programmes and services. YLE's operations are governed by the Act on Yleisradio Oy. The method of financing YLE was overhauled at the beginning of 2013 when the television fee was replaced by a public broadcasting tax. At the same time YLE was reclassified in the National Accounts to the central government sector. In 2015 funding for YLE came to EUR 0.5 billion. The public broadcasting tax is a flow-through item in the State Budget. The funds are transferred monthly in equal instalments via the National Television and Radio Fund. YLE receives an estimated EUR 30 million of funding from other than State Budget sources. YLE is also liable to pay tax to the state.

Solidium is a fully state-owned investment company. Solidium's portfolio at the moment includes holdings in 14 listed companies. In all these companies Solidium is a minority shareholder. Solidium's revenue consists mainly of dividend income, which is usually received in April. A large part of Solidium's revenues are entered into the State Budget. For example in September 2014 Solidium paid out EUR 1.1 billion in profits to the state and in September 2015 EUR 0.3 billion. Solidium's annual expenditure is less than EUR 20 million, incurred mainly from personnel and other costs.

Monthly reporting

Monthly reporting draws on state bank account information. All told there are several hundreds of state bank accounts. These accounts are organised into a consolidated account structure. As a general rule each accounting office holds one expenditure account and one revenue account. The data for the monthly reports are obtained from the state cash management system (called Rahakas). The data are cash based. The information is obtained quickly and it covers on-budget activities as well as 11 extrabudgetary funds and most of the cash flows of on-budget and other off-budget units.

The central government collects all the tax revenues, and transfers part of them to other tax recipients. The state also pays tax refunds to tax payers. Transfers and tax refunds are eliminated from the bank account data. The bank account data includes all debt management transactions such as borrowing, redemptions, and net investments of cash funds. These transactions are eliminated from the bank account data.

State Treasury data

The State Treasury (ST) is the single most important source of data on central government finances. ST compiles account information for accounting units and extrabudgetary funds on a monthly basis and enters them into the state central accounting system. Since 1998 central government has monitored the State economy using the tools of *business accounting* in addition to *budget accounting*.

Based on this data ST publishes a monthly Funds Statement for Central Government Finances. On its website ST also provides a cash flow statement time series from 2000 onwards, i.e. monthly figures for central government revenues, expenditures and budgetary position based on business accounting principles. ST's monthly bulletin reports on the implementation of the State Budget, central government income, expenses, assets, debts and cash flows. It includes a balance statement of central government finances, an economic outturn account, the central government balance sheet and a central government cash flow statement. Cash flow statement includes on-budget resources and off-budget funds including the State Pension Fund.

From April to December ST publishes monthly data with a delay of less than a month. However, for the time being, early in the year there is a substantial delay before data for December-February are released, and the data for December-March are only published for the first time in April. The new financial administration system Kieku will be gradually implemented in all accounting offices during 2017. The aim is that the monthly data will be compiled in the future from the Kieku system.

Estimations

The decision has been taken to use estimates for purposes of monthly reporting of universities' revenues and expenditures. In 2015 universities' revenues from other than State Budget sources totalled EUR 485 million or some 20% of their overall funding. This sum was assumed to be evenly distributed over the year so that monthly funding from other sources was around EUR 40 million. Furthermore it is assumed that funding from other sources has remained unchanged at the same level when estimating monthly data. Dividend revenue received by Solidium has been separately added to the base data (April) and in same manner Solidium funds transferred to the State Budget have been separately deducted from the base data (September).

Bank account data include the public broadcasting tax on the revenue side and transfers to the Finnish Broadcasting Company on the expenditure side. Other YLE revenue has not been taken into account. The incorporation of VTT Technical Research Centre of Finland Ltd has taken place so recently that so far there is no method reliable enough to estimate revenues from other than State Budget sources, but aim is to develop an estimation method in the near future. It is most likely that amounts are quite small and their effect to government balance will be nearly negligible.

Local government

The local government sector comprises municipalities, joint municipal authorities (excluding Helsinki Region Environmental Services Authority HSY) and non-market public enterprises and corporations. The Åland Government and Åland's municipalities and joint municipal authorities are likewise included in the local government sector, as is the Association of Finnish Local and Regional Authorities.

Quarterly data for local government are published on the Statistics Finland website in ESA2010 compatible statistics at a delay of less than one quarter after the end of each quarter as a part of the statistics General government revenue and expenditure by quarter.

Employment pension schemes

The earnings-related pension sector comprises units responsible for statutory earnings-related pension schemes. These are authorised pension providers, pension foundations, pension funds and public institutions such as units providing pension protection for local government and central government employees (Keva and the State Pension Fund). In addition the Finnish Centre for Pensions and The

Finnish Pension Alliance TELA are included in this sector. Earnings-related employment pension providers were defined as part of Finland's government sector by decision of the European Commission in January 1997 on grounds that these are statutory benefit systems.

Statutory earnings-related pension provision is financed primarily by employer and employee contributions and returns from pension fund investments. Part of all pension contributions paid in are invested in funds for the future payment of pensions. In addition some of the expenses of the pension systems for the self-employed, farmers and mariners are covered by central government contributions. In 2015 employment pension schemes recorded total revenues of around EUR 27.4 billion. Social security contributions amounted to EUR 20.9 billion and property income to EUR 3.4 billion. Expenditure in the sector totalled EUR 24.7 billion, of which pension expenditure accounted for over EUR 21.2 billion. The market value of all pre-funded pension assets at year-end 2015 was around EUR 183 billion.

A new joint data collection mechanism by Statistics Finland and Ministry of Finance was set up at the beginning of 2014 to collect monthly data on employment pension schemes. The data are compiled by Statistics Finland. For previous years Statistics Finland has published quarterly sector accounts for the employment pension sector since 1999. Data are provided by the five biggest pension companies and Keva and the State Pension Fund at the data survey started in 2014. Data coverage is over 90% of total expenditures/revenues in this sector.

Other social security funds

The other social security funds consist mainly of the Social Insurance Institution (Kela) and the Unemployment Insurance Fund (TVR).

The Social Insurance Institution provides basic economic security for all people resident in Finland. Social security schemes administered by Kela include benefits for families with children, health insurance, rehabilitation, basic unemployment security, housing benefits, financial aid for students, and basic pensions. In addition Kela provides disability benefits, conscripts' allowances and assistance for immigrants. Since the beginning of 2017 Kela is also responsible for basic social assistance. Kela's expenditures are financed by statutory contributions from employers and the insured as well as by current transfers from the public sector. In 2015 central government accounted for 69% of funding, insurance contributions for 24% and local government payments for 6%. In 2015 total Kela expenditure was EUR 14.7 billion. Expenditure on benefits accounted for 97% of total expenditure and operating expenses for 3%. The monthly data include figures for operating expenditure.

Kela has three funds: the National Pension Insurance Fund, the National Health Insurance Fund and the General Fund for Social Security. Expenditures out of the National Pension Insurance Fund are covered in full by the central government. Expenditure on benefits consist of pensions, disability benefits and housing benefits for pensioners. The National Health Insurance Fund covers mainly benefits for families with children, health insurance and rehabilitation. The National Health Insurance Fund is financed from current transfers from central government (25%), employers' health insurance contributions (35%), daily allowance contributions from wage earners and the self-employed (14%), and medical care contributions from wage earners, the self-employed and benefit recipients (26%).

Benefits paid out of the General Fund for Social Security are covered predominantly by central government (84%) and by local governments (14%). The contribution of local governments consists of child day care assistance and a proportion of labour market subsidy payments for the long-term unemployed. The remaining 1% is covered from unemployment insurance contributions from employees, which are used for the provision of unemployment security (other social security funds' consolidation item). Payments from the General Fund for Social Security go towards unemployment benefits, benefits to families with children, housing benefits, study benefits and certain other benefits.

The Unemployment Insurance Fund is a public corporation administered by the labour market partners and supervised by the Financial Supervisory Authority. Its primary role is to finance unemployment benefits. The fund's main sources of revenue are central government transfers as well as employers' and employees' unemployment insurance contributions. Revenue from contributions varies from month to month quite substantially but regularly. Employers pay in their contributions in February, April and October, whereas employee contributions are received in June. The Unemployment Insurance Fund's single biggest expense item are earnings-related unemployment benefits, which are also partly financed by the state. In 2015 the Unemployment Insurance Fund's total revenue was EUR 3.3 billion and total expenditure EUR 3.9 billion. The annual transfer from the Unemployment Insurance Fund to Kela is eliminated from the fund's expenditure.

Useful links:

- Statistics Finland, General government revenue and expenditure by quarter - http://www.stat.fi/til/jtume/index_en.html
- State Treasury - <http://www.statetresury.fi/en-US>
- Funds Statement for Central Government Finances - [http://www.statetresury.fi/en-US/State_Treasury/Publications_and_statistics/Publications/Supporting_financial_management/Funds_Statement_for_Central_Government_Finances/Funds_Statement_for_Central_Government_F\(45317\)](http://www.statetresury.fi/en-US/State_Treasury/Publications_and_statistics/Publications/Supporting_financial_management/Funds_Statement_for_Central_Government_Finances/Funds_Statement_for_Central_Government_Finances/Funds_Statement_for_Central_Government_F(45317))
- Tax Administration - <http://www.vero.fi/en-US>
- Social Insurance Institution KELA - <http://www.kela.fi/web/en>
- Unemployment Insurance Fund - <http://www.tvr.fi/en/frontpage> -
- Finnish Pension Alliance TELA - http://www.tela.fi/en/front_page
- The Finnish State Internet Reporting service Netra - <http://www.netra.fi/>
- Description of Rahakas (the state cash management system) - <http://www.valtiokonttori.fi/uutiskirjeet/public/default.aspx?contentid=38192>