



**Conselho das  
Finanças  
Públicas**

**LOCAL  
GOVERNMENT  
BUDGET OUTTURN  
IN 2024  
EXECUTIVE  
SUMMARY**

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## EXECUTIVE SUMMARY

This report is based on public budget accounting data from 305 of the 308 Portuguese municipalities. This universe represents 99% of effective expenditure in 2019, the last year for which data was reported via SISAL for all 308 municipalities. The municipality of Penedono has not reported budget execution data since 2020.

Based on this universe, municipalities are estimated to have recorded a budget surplus of 268 million € (M€) in 2024. Although provisional, this result indicates a surplus higher than the 27 M€ recorded the previous year, reflecting an increase in effective revenue of 1.1 billion €, which exceeded the increase in effective expenditure (0.9 billion €). Despite this performance, the surplus was lower than the 474 M€ forecasted in the report accompanying the 2024 Draft State Budget (DSB/2024).

In 2024, municipal effective revenue grew by 10%, driven by transfers from Central Government (+17.6%). The amounts received under the Local Finance Law (LFL) and the decentralisation of powers accounted for the bulk of these transfers. Non-tax own revenue, derived from property income, sales of goods and services, and fee collection, grew by 9.1%, while municipal tax revenue increased by only 2.0%. Tax revenue showed a slowdown compared to 2023, although it still exceeded the 0.2% forecast in the DSB/2024 report. Among municipal taxes, the corporate tax surcharge performed best, growing 14.4%, while the Municipal Property Tax remained virtually unchanged.

Municipal effective expenditure increased by 7.9% in 2024, a slower pace than in 2023. The main driver of this increase was primary current expenditure, particularly spending on goods and services (+13%) and compensation of employees (+7.2%), reflecting the financial impact of decentralisation and cross-sector pay increases in General Government. Capital expenditure, on the other hand, grew by only 1.9%, well below forecasts. This was mainly due to under-execution of investment, with spending levels similar to the previous year. Capital transfers, mainly from EU funds, were executed below budgeted amounts. Despite the increase in these transfers, the trend of over-budgeting in municipal capital expenditure persisted, with 2.4 billion € more budgeted than executed.

The assessment of the impact of decentralisation is hindered by the lack of standardised and complete information. Despite some progress, there are still limitations in identifying expenditure financed by the Decentralisation Financing Fund (DFF), preventing a solid basis for conclusive analysis. Given the volume of DFF transfers,

it is important to understand the real impact of decentralisation — whether it led to improved service quality for citizens, whether it increased costs, among other factors — making it essential to define clear indicators for this evaluation.

Outstanding expenditure and arrears decreased in 2024. After worsening in 2023, arrears fell by 38%, reaching 17 M€. Support from the Municipal Support Fund (MSF) for municipalities in greater financial difficulty was key to this improvement, reflected in the reduction in the number of municipalities with overdue payments exceeding 90 days (from 51 to 40).

In 2024, the average payment period (APP) worsened by one day to 22 days, still below the legal limit of 30 days. Subject to the provisional and incomplete nature of this information, only 7 municipalities exceeded 90 days, with just two municipalities remaining above 180 days (Tábua and Santa Comba Dão).

The total municipal debt considered for the legal limit is estimated to have increased in 2024, potentially interrupting the downward trend observed since 2014 (the year the Local Authorities and Intermunicipal Entities Financial Regime (LAIEFR) came into force). Debt considered for the legal limit rose slightly to 3.624 billion € (+2.3% or 80 M€). Nevertheless, 293 of the 303 municipalities analysed remain below the legal debt limit (two more than in 2023). This evolution reflects a 360 M€ increase in debt across 112 municipalities, more than offsetting the 280 M€ reduction reported by the remaining 191. Including all currently exempted debts, the increase would have exceeded 104 M€. The revenues used to calculate the total debt limit also increased, contributing to a decrease in the debt-to-revenue ratio for the municipalities analysed: from 40.2% in 2023 to 37.6% in 2024.

The diversity of municipal realities is evident in the financial difficulties that persist in some municipalities. In such cases, close monitoring is required to address these challenges. In 2024, two municipalities – Alfândega da Fé and Freixo de Espada à Cinta – resorted to the MSF.

Strengthening transparency, timely reporting capacity, and municipal fiscal autonomy remains essential to ensure the budgetary sustainability of the sub-sector. In this context, a potential revision of the LAIEFR should include a review of financial recovery mechanisms, alignment with European economic governance reform, and enhanced fiscal transparency. There is also a need to improve the availability of information, especially given the increasing transfer of responsibilities to municipalities, which hinders the analysis of the impact of adopted measures. Additionally, the lack of data on the implementation of the Recovery and Resilience Plan (RRP) at the local government level limits the ability to monitor the programme's progress in this sub-sector.