

Executive Summary



Local Government Budget Outturn up to June 2019

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EXECUTIVE SUMMARY

According to preliminary data on budget execution until the end of the first half of 2019, in cash accounting, municipalities achieved a surplus of 669 M€. This performance represents 282 M€ more than the same period in 2018 and is in line with the increase expected by the Ministry of Finance (MF) for Local Government in the State Budget for 2019 (SB/2019).

The revenue of municipalities is growing at a faster pace than foreseen in the State Budget for 2019. The sale of terrains by the Municipality of Lisbon (250 M€) contributed almost half to this variation, asset revenue that was achieved in the 1st half of 2019 and had not been considered in the State Budget for 2019. Transfers, in particular those from the Central Administration to municipalities, which increased 122 M€ compared to the 1st half, also contributed to a more favourable evolution of revenue. Tax revenue, on the other hand, grew less than expected until June, as a result of the negative performance of the recurrent property tax ("IMI") in the semester, although partially offset by the positive contributions of other municipal taxes.

Municipal expenditure showed a growth of 6.2% through June 2019, driven by the compensation of employees and the capital expenditure, although decelerating as of April. Current primary expenditure was the aggregate that most contributed to the increase in expenditure, representing more than half of the increase recorded between the first semester of 2019 and the same period of last year. Staff expenditure contributed around three quarters to the increase in current primary expenditure. In addition, the contribution of capital expenditure, namely investment, has recorded a growth rate higher than initially forecast for the sub-sector until June.

The unpaid expenditure by municipalities has increased since the beginning of the year, both in non-financial liabilities and in unpaid accounts, despite the favorable comparison with the first half of 2018. As for the debt already overdue and in arrears, notwithstanding the overall improvement in the sense of reducing arrears since the beginning of the year, to which much contributed the recourse to financial assistance from the Municipal Support Fund (FAM), there were also individual situations of deterioration, with a municipality registering an increase of more than 1 M€.

Total municipal debt – financial and non-financial debt considered for the purposes of the legal limit – decreased: excluding non-budgetary debt and the exceptions legally provided, there was a reduction of 145 M€ in the 1st half of 2019. Based on this indicator alone, 22 of the 308 municipalities were above the total debt limit on 30 June 2019 (at the end of 2018 there were 24 municipalities in this situation). Despite the overall improvement, there were some individual cases of worsening of the financial situation. The average payment period remained roughly at the level seen in 2018, below the 30 days considered as a general rule for the payment of commercial transactions.