

Executive Summary



# Local Government Budget Outturn 2017

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## EXECUTIVE SUMMARY

This Portuguese Public Finance Council Report on Local Government budget outturn on a cash-flow basis is the first of a new series of twice-a-year publications designed to contribute to the transparency of Local Government accounts as is the case with the General Government reports. Since this is the first Report it provides a summary of the fiscal rules applying to Local Government.

According to the preliminary budget outturn figures in the public accounts, the overall balance of the municipalities as a whole in 2017 (460 M€) was 203 M€ down on 2016. This change arose despite the tax revenue being greater than forecast in the State Budget for 2017 and in the Municipal Budgets. This figure fell short of the balance forecast by the Ministry of Finance in the State Budget for 2017 for Local Government as a whole (1020 M€), which in the meantime was revised downwards (to 644 M€) in October in the context of the Draft State Budget for 2018. Taking as a starting point the municipal budgets treated as a whole, the increase in total revenue was less than forecast, whilst expenditure was well below the approved allocations.

A breakdown of municipalities by the debt rule is provided but given the existing legal framework no attempt was made to check compliance. Based on the information available in the Sistema Integrado de Informação das Autarquias Locais, the integrated information system for local governments, total municipal debt, for legal limit purposes, fell over the course of last year: excluding non-budget debts and the legal exemptions relating to that limit, there was a decrease of 493 M€ in 2017. According to this indicator, 27 of the 308 municipalities had total debt in excess of the limit at the end of 2017.

There was an overall improvement in the value of expenditure payable in 2017 compared to 2016. Non-financial liabilities fell by 104 M€ and accounts payable by 73.5 M€, while arrears were down 50.6 M€. Despite these favourable changes, there were individual cases of deterioration with three municipalities recording increases of over 1 M€ in arrears.