

# EDP Consolidated Inventory of sources and methods

## **Finland**

September 2007

# 1. Delimitation of General Government

*For all general government sub-sectors, the final delimitation is done by national accounts experts at Statistics Finland. The procedures vary between sub-sectors.*

*For central government, the basis for the delimitation is the organisation of the state book-keeping managed by the State Treasury. Included in the state book-keeping system are the central government agencies (the budget economy) and extra-budgetary funds. The budget economy and the extra-budgetary funds form the basic set of central government units. All state-owned quasi-corporations and limited companies are outside the book-keeping system.*

*In national accounts, annual assessment is undertaken whether the basic set - the units in the state book-keeping - includes units that should be classified outside central government in national accounts, or whether there are units outside the basic set that should be included in the government sector. If there is a permanent change in the nature of a unit, re-classification is done. Currently there are no units outside the book-keeping system that are classified inside central government, and only one extra-budgetary fund is classified outside government sector.*

*For local government sector, the criteria used in the classification of units include the criteria of 50% of sales over costs, the control exercised by the government and the amount of sales outside the government sector. However, a complete unit-by-unit analysis on the records of the units cannot in practice be undertaken from the source statistics for municipalities. Therefore, the decision on classification is for some parts based on the functional/industrial classification of the units in the source data for the local government sector. For example, quasi-corporations acting in certain branches (water supply, energy supply, public transport, port authorities) are always, by convention, considered as market producers outside government sector, because in those branches the amount of sales outside government sector is large, and prices are economically significant. The sector classification is assessed annually. Statistics Finland has established a special 'Task Force' for examining yearly the classification of municipal units. It consists of experts of National Accounts, different source statistics and business register.*

*Sub-sector Social security funds is divided into Employment pension schemes S.13141 and Other social security funds S.13149. Employment pension schemes S.13141 consists of pension insurance companies, pension funds, foundations and other pension insurance institutions. Other social security funds S.13149 consists of The Social Insurance Institution, The Unemployment Insurance Fund, The Education Fund, The Unemployment Funds, Employee Sickness Funds, Funeral and Redundancy Relief Funds and The Association of Insurance Funds. Except for The Social Insurance Institution, all these units belonging to S.1314 are - to different extents - under the supervision of Insurance Supervisory Authority, which maintains a list of them, and also collects financial statement data for e.g. all pension insurance companies and pension funds and foundations. The classification of employment pension schemes inside general government sector in Finland is grounded on the decisions of Eurostat on the issue.*

*Annex 1 contains a list of units classified within the General Government sector.*

## 2. Central Government data

This section describes the availability and use of main data sources for the Central Government sub-sector (S.1311) by type of unit and the adjustments made in order to reach ESA95 definitions. It also covers the treatment for half finalised, finalised and current data, and the process of revision of data.

### 2.1 Availability and use of data sources

#### 2.1.1 Data sources for Central Government main unit: “The State”

1a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 1 – Source Data Accounting <sup>1</sup>

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	• <b>Budget Reporting</b>				
	<b>Summary</b>				
	(1) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(2) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	<b>Detailed</b>				
M	(5) Current revenue and expenditure	A/U*	A/U	A/U	A/U
M	(6) Current and capital revenue and expenditure	A/U*	A/U	A/U	A/U
M	(7) Current and capital revenue and expenditure and financial transactions	A/U*	A/U	A/U	A/U
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	• <b>Financial Statements</b>				
A	(9) Profit and loss accounts	A/U*	A/U	A/U	A/U
A	(10) Balance sheets	A/U*	A/U	A/U	A/U
	• <b>Other Reporting</b>				
	(11) Statistical surveys	NA/NU	NA/NU	NA/NU	NA/NU
C	(12) Other: <i>State Treasury debt reports for balance sheet items and financial transactions (F.3, F.4 for liabilities)</i>	A/U	A/U	A/U	A/U

\*April notification (n-1) is based on the non-finalised 12-month book-keeping data.

*State bookkeeping data comprises both budget accounting data and financial accounting data (income and expense accounts and balance sheet accounts).*

<sup>1</sup> A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)  
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

*It includes the detailed data of the revenue and expenditure by the type of transaction (following the chart of state book-keeping accounts) and by the type of budgetary item (following the chart of budgetary accounts).*

**1b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.**

*All relevant available data sources are used. Financial accounting data and budget accounting data complement each other.*

**1c) Complementary codification at data source, by counterpart sector**

*The state-book keeping codification includes separate coding for most transfers to/from counterpart sectors. Sector classification is harmonised with the ESA95 classification.*

**1d) Complementary information of other units/departments that are not reflected in the Budget Reporting, when compiling ESA95 accounts.**

*Currently there are no units outside budget reporting that would be classified in the central government sector (except extra-budgetary funds, see section 2.1.2).*

**1e) Consistency of classifications used in the Budget Reporting of “the State” and in the Budget Reporting of other General Government entities.**

*There is no common budget classification among general government sub-sectors.*

**1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes**

*The data is collected by the Treasury on a monthly basis from the accounting offices. The Treasury transmits the data directly to Statistics Finland.*

**1g) Nature of the data sources – cash, accrual or mixed**

*See Table 1.*

*In the financial statement data on taxes are on a cash basis and the transfers to/from other sectors are on mixed cash-accrual.*

*Budget reporting is on a mixed cash/accrual/commitment basis.*

**1h) Circumstances in which data available from basic sources is consolidated.**

*The data is non-consolidated.*

**1i) Changes in the accounting rules foreseen in the near future (if any).**

*No changes are foreseen in the near future.*

**2.1.2 Data sources for Central Government: Other entities / other central government bodies: Extra-budgetary funds**

**2a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):**

**Table 2 – Source Data Accounting**

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	<b>• Budget Reporting</b>				
	<b>Summary</b>				
	(1) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(2) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	<b>Detailed</b>				
	(5) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(6) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	<b>• Financial Statements</b>				
A	(9) Profit and loss accounts	A/U*	A/U	A/U	A/U
A	(10) Balance sheets	A/U*	A/U	A/U	A/U
	<b>• Other Reporting</b>				
	(11) Statistical surveys	NA/NU	NA/NU	NA/NU	NA/NU
	(12) Other:				
C	<i>Investment report of State Pension Fund</i>	A/U	A/U	A/U	A/U

*\*April notification (n-1) is based on the preliminary financial statements of the funds.*

**2b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.**

*All relevant available data sources are used.*

**2c) Complementary codification at data source, by counterpart sector**

*As 'State'. See 2.1.1 c)*

**2d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.**

*Some complementary information from the annual reports of the funds is used (e.g. for the determination of sector counterparts if the information is not available from the financial statements). Counterpart information for the State Pension Fund is also attained from the data provided by the Social Insurance Institution.*

**2e) Consistency of classifications used in this sub-sector and in the Budget Reporting of units in other sub-sectors of General Government.**

*As 'State'. See 2.1.1 e)*

**2f) Source (direct or indirect) of basic data requested by the National Statistical Institutes**

*As 'State'. See 2.1.1 f). The state book-keeping data contains both the central government agencies and the extra-budgetary funds.*

**2g) Nature of the data sources – cash, accrual or mixed**

*As 'State'. See Table 2 and 2.1.1 g)*

**2h) Circumstances in which data available from basic sources is consolidated.**

*The data is non-consolidated.*

**2i) Changes in the accounting rules foreseen in the near future (if any).**

*No changes foreseen in the near future.*

**2.1.3 Data for the current year (n-1) notified in April (n) - detailed explanation**

**i) Common data sources used for finalised and half-finalised data for the current year in the first notification.**

*The first notification is based on the preliminary sector accounts for all sectors published by statistics Finland in February t+2. For the central government the same source data can be used then for finalised and half-finalised data, i.e. **state book-keeping accounts**. Starting from 2006, Statistics Finland has received preliminary (non-finalised) 12-month book-keeping data from the State Treasury in February for the first notification. This data comprises complete set of accounts of all accounting agencies and extra-budgetary funds, but it is not finalised in the sense that the Treasury and agencies and funds may still make corrections to it.*

**ii) Data sources specifically used in the context of the first notification**

*See above.*

**iii) Estimation methods that may be used in the context of the first notification and their importance in the central budget and for other units included in central government.**

*-for central budget*

*None.*

*-other units included in central government*

*None.*

## **2.1.4 Auditing Process**

### **I) Working balances of Central Government that were submitted to an auditing process.**

*In April notification: the working balances for n-2, n-3, n-4 have gone through an auditing process. In October notification also the working balance for n-1 has been submitted to this process.*

*The Government report on the final accounts is submitted to Parliament in the June of the following year for each budget year. The report contains the final central government accounts together with their appendices. Included in the report is the statement by the Government financial controller's function on the correctness of the data contained in the report. By law, it is in the competence of Government financial controller's function to ensure that the report provides the true and fair information on state revenues and expenditure and the state's financial position. However, the State audit office is also indirectly involved in the process: the office submits later its report on the auditing of the final central government accounts to the Parliament. Findings relevant to national accounts can be found both in the statement by the Government financial controller's function and in the report of the State Audit Office.*

### **II) Incorporation of the findings of the auditing process in the national accounts.**

*When necessary, the findings can be incorporated in the national accounts for the April notification following the year of the submission of the Government report (see above) .*

## **2.2 Data treatment**

### **2.2.1 Half finalised and finalised data**

#### **a) Financial transactions that may be included in the public accounts of central government and are excluded in notification table 2.**

*Financial transactions that are included in the central government budget and that are excluded in notification table 2 are:*

- Loans granted (+)*
- Loan repayments (-)*
- Acquisition of equities (+)*
- Sales of equities (-)*
- Delivery of coins for circulation to Bank of Finland (-)*

- *Redemption of coins for circulation from Bank of Finland (+).*

**b) Information and method (s) used for the adjustment cash/accrual for items other than interest.**

*Time-adjustment of taxes consists of time adjustment of taxes on products and taxes on income. The most significant taxes of income and other current taxes are time-adjusted in national accounts on the basis of the provisions of the Finnish tax legislation concerning the collection of taxes. They are time-adjusted with one month. All taxes on products are time-adjusted based on the monthly state book-keeping data. Value added type taxes are time-adjusted with 2 months and other taxes on products with one month.*

*Data used for recording of taxes are obtained from central government book-keeping data and from tax administration's accounts reports on received taxes. Concerning preliminary figures (April EDP-notification), time adjustment of D2-taxes is based on assessments on the accrual of these taxes in January (and February for D211).*

*For some categories of taxes time-adjustment is not undertaken because according to experts' appraisal the meaning of time-adjustment would be insignificant: the amounts of possible time adjustments would be very small, the cash flow of the taxes is even, or the taxes being of such nature that the time-adjustment would not be sensible, and therefore an agreement has been reached that no time-adjustment is needed. An example of such significant taxes is Real estate tax.*

*The adjustment on subsidies consists of the accrual adjustment of some subsidies and the difference in recording EU-grants in the budget. The first adjustment is made in national accounts based on the payment data received from the Ministry of Agriculture. The latter is connected to the EU-grants (notably subsidies for agriculture) that are re-routed through state budget, but which in national accounts are eliminated from central government revenue and expenditure and shown directly as transfer from EU to the final receiver. Normally there is a difference in recording these transfers on revenue and expenditure side in the budget and it has to be shown as an adjustment item.*

*Other differences consist of differences between cash and accrual recording of other revenue or expenditure and it is based on state book-keeping records. For example, such differences can be due to prepayments (notably for military expenditure, which is budgeted on cash basis).*

**c) Sources and methods used for the calculation of interest on an accrual basis.**

*The accrual adjustment to interests is received from state book-keeping records, and from 2004 onwards the interests have been on accrual basis also in the budget accounting. The annual data for the emission gains or losses spread over time treated as interest expenditure is received from the State Treasury.*

*In the budget accounts, yearly emission gains or losses are recorded on cash basis. Redemption/issuance of debt above/below par is recorded as a budget revenue or expenditure, but in national accounts it is recorded as holding gains or losses not affecting the deficit. In Notification Table 2A an adjustment is shown for these differences under item difference between interest paid (+) and accrued (EDP D.41)(-).*

*For the EDP reporting, no correction is needed for the net payments under swap and forward rate agreements, because the interest expenditure is recorded 'after the swaps' in budget accounts and state book-keeping records. Correction is only made to the ESA-95 interest expenditure. Swap-correction has been made to the central government interest expenditure from the year 2003 onwards.*

**d) Information on other accounts receivable/payable that may be provided in public accounts data.**

*See section 2.2.1 part b).*

**e) Sources and method (s) for the adjustment related to units classified within or outside central government.**

*Net borrowing / lending of other central government bodies consists of net lending of ten state extra-budgetary funds<sup>2</sup>. It is compiled from funds' book-keeping accounts. Adjustment for the net borrowing/lending of state entities not part of S.1311 is not applicable, because there are nowadays no entities inside the budget that should be classified outside S.1311.*

**f) Other adjustments regularly implemented.**

*The transfers from/to extra-budgetary funds that are recorded as revenue/expenditure in the central budget are consolidated.*

*The item debt cancellation/assumption (negative sign) represents the recording of capital transfer expenditure relating to debt cancellation/ debt assumption.*

*The item reinvested earnings on FDI (positive sign mostly) relates to the inclusion of government revenues from reinvested earnings on Foreign Direct Investments (FDI) not considered in the working balance.*

**g) Sources of information used for transactions which need specific attention (in cases where they are not directly identifiable in public accounts): debt assumption, debt cancellation, privatisation, securitisations, capital injection into public corporations, payments from the central bank.**

*The information is received from public accounts and from ministries and/or State Treasury.*

### **2.2.2 Revision process**

Steps in the revision process of data, for the State and for other units included in central government, after the first notification

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<sup>2</sup> In 2005 there were 10 extra-budgetary funds: Development Fund of Agriculture and Forestry, Oil Pollution Compensation Fund, Nuclear Waste Management Fund, State Housing Fund, State Pensions Fund, Export Guarantee Fund, Emergency Supply Fund, Intervention Fund of Agriculture, Government Guarantee Fund and Fire Protection Fund. In addition, the administrative costs of the extra-budgetary Radio- and Television Fund are included in the S.1311 accounts, even though the fund is classified outside S.1311.

***-for central budget***

*In the October notification the central government accounts data are final for the whole current year, i.e. based on the final state book-keeping data. Some minor corrections may be done until the national accounts become final in January t+3.*

***-for other units included in central government***

*In the October notification the extra-budgetary funds accounts data are final for the whole current year, i.e. based on the final state book-keeping data. Some minor corrections may be done until the national accounts become final in January t+3.*

### **3. State Government**

*Not applicable for Finland*

## 4. Local Government data

This section describes the availability and use of main data sources for the Local Government sub-sector (S.1313) by type of unit and the adjustments made in order to reach ESA95 definitions. It also covers the treatment for half finalised, finalised and current data, and the process of revision of data.

### 4.1 Availability and use of data sources

#### 4.1.1 Data sources for Local Government main units: municipalities, joint-municipal boards

1a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 3 – Source Data Accounting <sup>3</sup>

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	• <b>Budget Reporting</b>				
	<b>Summary</b>				
	(1) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(2) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	<b>Detailed</b>				
A	(5) Current revenue and expenditure	NA/NU	A/U	A/U	A/U
A	(6) Current and capital revenue and expenditure	NA/NU	A/U	A/U	A/U
M	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	A/U	A/U	A/U
M	(8) Balance sheets	NA/NU	A/U	A/U	A/U
	• <b>Financial Statements</b>				
M	(9) Profit and loss accounts	NA/NU	A/U	NA/NU	A/U
M	(10) Balance sheets	NA/NU	A/U	A/U	A/U
	• <b>Other Reporting</b>				
M	(11) Statistical surveys <i>Quarterly local government finance statistics (financial transactions)</i>	A/U	A/NU	A/NU	A/NU
M	(12) Other: <i>Preliminary local government finance statistics (non-financial transactions)</i>	A/U	A/NU	A/U	A/NU

*'Financial statements' above means statistics called Finances and activities of municipalities and joint municipal boards compiled by the Statistics Finland. The statistics comprises financial statement data gathered from all municipalities and joint municipalities in Finland. The statistics contains elements of both statistical survey and financial statements, since income statement, balance sheet and statement of changes in financial*

<sup>3</sup> A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)  
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

*position are compiled according to Finnish Accounting Standards (FAS), and other elements correspond to statistical survey.*

**1b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.**

*Preliminary sources are used until final financial statements are available.*

*Preliminary local government finance statistics is not used for financial transactions, as its scope of information concerning balance sheets is limited.*

*For current and capital transfers between general government sub-sectors counterpart information is preferred due to well-defined sector classification compared to the base data from municipalities and joint municipalities. Income taxes are recorded according to the board of taxation because that data can be time-adjusted into accrual basis more easily than the base data from municipalities and joint municipalities.*

**1c) Complementary codification at data source, by counterpart sector**

*The source data includes sector counterpart information for some transactions, but not codification according to ESA-95 classification.*

**1d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.**

*All financial transactions (like F511, F52) cannot be derived from financial statements.*

**1e) Consistency of classifications used in this sub-sector and in the Budget Reporting of units in other sub-sectors of General Government.**

*Local government finance statistics classifications partially differ from those in central government budget reporting. These classifications are based on the joint work of Statistics Finland and the Association of Finnish Local and Regional Authorities, and it does not exactly correspond to the GFS statistics classifications. There is no common budget classification among general government sub-sectors.?*

**1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes**

*In all local government surveys the data are collected by www-spreadsheet via Internet directly by Statistics Finland.*

**1g) Nature of the data sources – cash, accrual or mixed**

*See Table 3*

*Income tax revenue is recorded in cash basis. However, some time-adjusting may be done by municipalities.*

**1h) Circumstances in which data available from basic sources is consolidated.**

Transactions and positions between a municipality and its municipal quasi-corporations are eliminated. This consolidation is cancelled in Statistics Finland by separating the revenue and expenditure of these quasi-corporations from the revenue and expenditure of the municipality in question.

**1i) Changes in the accounting rules foreseen in the near future (if any).**

*No changes are foreseen.*

**4.1.2 Data sources for Local Government:**

**Government of Åland, Pension fund of the government of Åland, Association of Finnish municipalities and Local Authority Employers Finland**

**2a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):**

**Table 4 – Source Data Accounting**

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	<b>• Budget Reporting</b>				
	<b>Summary</b>				
	(1) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(2) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	<b>Detailed</b>				
	(5) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(6) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	<b>• Financial Statements</b>				
A	(9) Profit and loss accounts	NA/NU	A/U	NA/NU	A/U
A	(10) Balance sheets	NA/NU	A/U	A/U	A/U
	<b>3) Other Reporting</b>				
	(11) Statistical surveys	NA/NU	NA/NU	NA/NU	NA/NU
	(12) Other: estimation methods	A/U	NA/NU	NA/NU	NA/NU

**2b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.**

*There are only one yearly reporting for these units and those accounting reports are used in ESA95 accounts compilation.*

**2c) Complementary codification at data source, by counterpart sector**

*Not available.*

**2d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.**

*Not available.*

**2e) Consistency of classifications used in this sub-sector and in the Budget Reporting of units in other sub-sectors of General Government.**

*Financial statements classifications partially differ from those in central government budget reporting.*

**2f) Source (direct or indirect) of basic data requested by the National Statistical Institutes**

*ESA95 accounts for Government of Åland are compiled by Statistics and Research Åland and are delivered to Statistics Finland in September  $t+1$ . Financial statements for the rest of these units are obtained via Internet.*

**2g) Nature of the data sources – cash, accrual or mixed**

*See Table 4.*

**2h) Circumstances in which data available from basic sources is consolidated.**

*No such circumstances*

**2i) Changes in the accounting rules foreseen in the near future (if any).**

*No changes are foreseen.*

**4.1.3 Data for the current year (n-1) notified in April (n) - detailed explanation**

**i) Common data sources used for finalised and half-finalised data for the current year in the first notification.**

*The first notification is based on the preliminary sector accounts published by Statistics Finland in February  $t+1$ . For the local government same sources are not available then for final/half-finalised data except the data for the municipal income tax and some counterpart information (transfers from other general government).*

**ii) Data sources specifically used in the context of the first notification.**

*The preliminary version of the annual margin (working balance as explained later) is published in February each year in the **Inquiry for the Financial Statement Estimates of the Municipalities and Joint Municipalities** published by Statistics Finland. In the Inquiry the most important preliminary financial statement data is gathered from all municipalities and joint municipalities in Finnish mainland. Municipalities and joint municipalities from Province of Åland, and other units considered in the table 4 above are not included. This data is used to compile the preliminary ESA95 sector account/net lending for local government, which is released at the end of February each year.*

### **iii) Estimation methods that may be used in the context of the first notification**

*The data for the municipal income tax, which is the most important revenue item, is final.*

*On the expenditure side, the most important items are final consumption expenditure, gross capital formation and transfers to other sectors that are estimated using the change of corresponding items indicated in the Inquiry for the Financial Statement Estimates of the Municipalities and Joint Municipalities. This same method implies to the other items of minor importance, also. Transfers from other general government is based on counterpart data. The information received from the Statistics Finland's Quarterly Local Government Finance Statistics (QLGFS) is used as a comparison material.*

#### **4.1.4 [Auditing Process]**

##### **I) Working balances of Local Government that were submitted to an auditing process.**

*Working balance for local government is the annual margin ('vuosikate' in Finnish) recorded in the Statistics of Activities and Finances of Municipalities and Joint Municipalities produced by Statistics Finland. Therefore, the annual margin - although based on official and audited financial statements - is a statistical concept which is not as such submitted to auditing.*

##### **II) Incorporation of the findings of the auditing process in the national accounts.**

See 4.1.4.I.

## **4.2 Data treatment**

### **4.2.1 Half finalised and finalised data**

#### **a) Original source of data used as a starting step**

*Working balance is the **annual margin** ('vuosikate' in Finnish) recorded in the **Statistics of Activities and Finances of Municipalities and Joint Municipalities** produced by Statistics Finland. This annual margin is the only public balance concept that is published for local*

*government economies in Finland. The preliminary version of this annual margin is published February each year based on a special survey made by Statistics Finland.*

*The Statistics of Activities and Finances of Municipalities and Joint Municipalities contains all statistical units belonging to municipalities and joint municipalities in Finland (in 2005, there was a total of 432 municipalities and 231 joint municipal authorities). It is compiled on annual basis and finalised in 10 months.*

**b) Financial transactions that may be included in the public accounts of local Government and are excluded in notification table 2.**

*The annual margin concept does not include any financial transactions.*

c) Information and the method (s) used for the adjustment cash/accrual for items other than interest.

*In the National Accounts, the municipal income tax is recorded on time-adjusted cash basis. The time adjustment is made on the basis of the provisions of the Finnish tax legislation concerning the collection of these taxes. The difference between the taxes recorded in the annual margin (the statistics) and time adjusted cash is recorded as an adjustment in Notification Table 2.*

*In National Accounts, VAT paid by the municipalities was recorded before 2002 according to the VAT rebate system and not as VAT recorded in annual margin. When comparing annual margin to the net lending an adjustment has to be made before 2002.*

*Other adjustments reported under this category consist of differences in recording transfers from central government and some minor differences in recording expenditure and revenue.*

**d) Sources and methods used for the calculation of interest on an accrual basis.**

*No accrual adjustment for the interest is needed, because they are recorded on accrual basis in the annual margin.*

**e) Information on other accounts receivable/payable that may be provided in the data sources.**

*Not applicable.*

**f) Sources and method (s) for the adjustment related to units classified within or outside local Government.**

*The annual margins includes the annual margins of municipal departmental enterprises. Those being classified outside S.1313 must be deducted.*

*Some units classified in S.1313 are not included in the statistics of municipalities and they have to be added: Province of Åland, Association of Finnish Local and Regional Authorities and the Commission of Local Authority Employers. The source data for these units are the financial statement of the Government of Åland, (Bokslut för landskapet Åland), the annual report of the Government of Åland's pension fund (Landskapet Ålands pensionsfond,*

verksamhetsberättelse) and annual reports of the Association of Finnish Local and Regional Authorities.

**g) Other adjustments regularly implemented.**

*The annual margin does not include investments or net capital transactions and they have to be added to be in line with the net lending/borrowing. Investments make the biggest difference between the working balance and net lending for local government. They are recorded according to the national accounts, deducted by the VAT which is included in annual margin. Capital transfers are recorded according to the national accounts. The source data for national accounts are the statistics and financial statements explained in points a) and f).*

*In the last row ('Other') of EDP-table 2C we report 'statistical discrepancy' after all adjustments.*

**h) Sources of information used for transactions which need specific attention (in cases where they are not directly identifiable in public accounts): debt assumption, debt cancellation, privatisation, securitisations and capital injection into public corporations owned by local Government.**

*These transactions are not directly identifiable in public accounts and there is normally no other information available of these transactions. In National Accounts the recording is based on the guidelines of the municipal statistics. However, we assume that the transactions have been recorded correctly also from the point of view of the EDP Manual.*

#### **4.2.2 Revision process**

Steps in the revision process of data, after the first notification.

*The first version of the EDP deficit of the previous year is based on the preliminary ESA95 sector account/net lending published in February  $t+1$ . A minor revision to this sector account is published in July  $t+1$  mainly if there is a change in the counterpart information. The local government accounts will be half-finalised not until the final statistics of municipalities is released in October  $t+1$ , and published in January  $t+2$ . The final national accounts are published in January  $t+3$ .*

## 5. Social Security Funds

This section describes the availability and use of main data sources for the Social Security Funds Government sub-sector (S.1314) by type of unit and the adjustments made in order to reach ESA95 definitions. It also covers the treatment for half finalised, finalised and current data, and the process of revision of data.

### 5.1 Availability and use of data sources

#### 5.1.1 A Data sources available: Social Security Funds

##### *S.13141 EMPLOYMENT PENSION SCHEMES*

1a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 5 a – Source Data Accounting <sup>4</sup>

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	• <b>Budget Reporting</b>				
	<b>Summary</b>				
	(1) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(2) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	<b>Detailed</b>				
	(5) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(6) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	• <b>Financial Statements</b>				
A	(9) Profit and loss accounts	NA	A/U	A/U	A/U
A	(10) Balance sheets	NA	A/U	A/U	A/U
	• <b>Other Reporting</b>				
	(11) Statistical surveys	NA/NU	NA/NU	NA/NU	NA/NU
A	(12) Other	A/U	NA/NU	NA/NU	NA/NU

(12): At the request of Statistics Finland, the Insurance Supervisory Authority collects data on the main aggregates (contributions, benefits, property income) from all pension institutions. This provisional data is available in February (n-1). These data are replaced in October by information from Financial Statement.

1b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

<sup>4</sup> A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)  
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

*Not applicable.*

**1c) Complementary codification at data source, by counterpart sector**

*Not available.*

**1d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.**

*The Finnish pension alliance's (TELA) "Quarterly investment survey of pension institutions" is used in the estimation of gross fixed capital formation on buildings.*

**1e) Consistency of classifications used in this sub-sector and in the Budget Reporting of other General Government units.**

*There is no common budget classification among general government sub-sectors.*

**1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes**

*Insurance Supervisory Authority (a government agency) collects most of the data. See also 5.2.1.a).*

**1g) Nature of the data sources – cash, accrual or mixed**

*See Table 5 a.*

**1h) Circumstances in which data available from basic sources is consolidated.**

*No such circumstances*

**1i) Changes in the accounting rules foreseen in the near future (if any).**

*No changes are foreseen in the near future.*

**5.1.1 B Data sources available: Social Security Funds**

***S.13149 OTHER SOCIAL SECURITY FUNDS***

**1a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):**

**Table 5 b – Source Data Accounting<sup>5</sup>**

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<sup>5</sup> A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)  
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	<b>Budget Reporting</b>				
	<b>Summary</b>	NA/NU	NA/NU	NA/NU	NA/NU
	(1) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(2) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	<b>Detailed</b>				
	(5) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(6) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	<b>Financial Statements</b>				
A	(9) Profit and loss accounts	NA	A/U	A/U	A/U
A	(10) Balance sheets	NA	A/U	A/U	A/U
	<b>4) Other Reporting</b>				
M	(11) Statistical surveys	NA/NU	NA/NU	NA/NU	NA/NU
M	(12) Other: (most important preliminary revenue and expenditure items)	A/U	NA/NU	NA/NU	NA/NU

(12) : At the request of Statistics Finland, the Insurance Supervisory Authority collects data on the main aggregates (contributions and benefits) from all unemployment funds. This provisional data is available in February (n-1). From Social Insurance Institution Statistics Finland receives detailed preliminary data on revenue and expenditure in the beginning of February and from Unemployment Insurance Institution preliminary financial statement. ). These data are replaced in October by information from Financial Statement

**1b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.**

*Not applicable.*

**1c) Complementary codification at data source, by counterpart sector**

*Not available.*

**1d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.**

*More detailed data are needed to split some transactions. The data are provided from the units by the request of NSI.*

**1e) Consistency of classifications used in this sub-sector and in the Budget Reporting of other General Government units.**

*There is no common budget classification among general government sub-sectors.*

**1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes**

*Basic data is requested directly from Social security funds by Statistics Finland or in case of unemployment funds as summary data from the Insurance Supervisory Authority.*

**1g) Nature of the data sources – cash, accrual or mixed**

*See Table 5 b.*

*Social security contributions of Social Insurance Institution are on cash basis in the financial statement. Time adjusted data is provided separately by the institution.*

**1h) Circumstances in which data available from basic sources is consolidated.**

*No such circumstances.*

**1i) Changes in the accounting rules foreseen in the near future (if any).**

*No changes foreseen.*

**5.1.2 Data for the current year (n-1) notified in April (n) - detailed explanation**

**i) Common data sources used for finalised and half-finalised data for the current year in the first notification.**

*The first notification is based on the preliminary sector accounts published by Statistics Finland in February  $t+1$ . The final sources are not available for the first notification.*

**ii) Data sources specifically used in the context of the first notification.**

*Insurance Supervisory Authority collects preliminary data for the most important sector account transactions like social contributions/benefits, property income and gross fixed capital formation from all pension institutions. Data is available in February  $t+1$ .*

**iii) Estimation methods that may be used in the context of the first notification**

*For the less important or more predictable transactions like intermediate consumption or compensation of employees various estimation methods (e.g. indices) are used. The most important and volatile transactions are covered by preliminary data (see 5.1.2 ii).*

**5.1.3 [Auditing Process]**

**I) Working balances of each of the sub-sectors that were submitted to an auditing process.**

*In October notification, the working balance of the Social Insurance Institution, the Unemployment Insurance Fund, the Education Fund and the Association of Insurance Funds are audited for year  $N-1$ . Working balances of Unemployment funds, Employee sickness funds*

*and Funeral and redundancy relief funds are supervised by the Insurance Supervisory Authority for N-1.*

*For the Employment Pension Schemes there is not any concept of working balance which could be meaningfully compared to the net lending/borrowing. Therefore in EDP-Table 2D, instead of trying to compare 'technical results' or any other working balances of the profit & loss accounts with the ESA95 net lending, we have recorded the main components of net lending (contributions minus benefits +/- property income and other transfers, all compiled from the data by the Insurance Supervisory Authority). The working balance for S.13149 is used as a starting line for the whole table 2D, and the impact of S.13141 is shown under transition items.*

## **II) Incorporation of the findings of the auditing process in the national accounts.**

*The findings of the auditing process for year N-1 of the Social Insurance Institution, the Unemployment Insurance Fund, the Education Fund and the Association of Insurance Fund are incorporated in the national accounts in July. The findings of the auditing process for N-1 of Unemployment funds, Employee sickness funds and Funeral and redundancy relief funds are incorporated in the national accounts in December.*

## **5.2 Data treatment**

### **5.2.1 Half finalised and finalised data**

#### **a) Original source of data used as a starting step**

*For S.13141: Insurance Supervisory Authority's (VVV) publication "Vakuutusyhtiöt - The Insurance Companies" includes financial statement data for pension insurance companies. VVV also collects financial statement data for pension funds and foundations. These are available in September-October (n). For other pension insurance institutions the data source is annual reports, which are usually available around April-May (n). The Finnish pension alliance's (TELA) "Quarterly investment survey of pension institutions" is used in the estimation of gross fixed capital formation on buildings.*

*S.13149: Annual reports of the funds. For Unemployment funds, Employee sickness funds and Funeral and redundancy relief funds, the data provided by Insurance Supervisory Authority.*

#### **b) Adjustments for financial transactions in units' data sources used for units classified in the Social Security Funds sub-sector.**

*No need.*

#### **c) Information and the method (s) used for the adjustment cash/accrual (excluding interest) for social contributions and social benefits.**

*Employment pension contributions are based on the financial statements of the pension institutions. The social contributions data are accrual data minus amounts not received, i.e. no adjustment is needed.*

*The reason is that the premiums shown in the profit & loss accounts are net of estimated credit losses of the year. Each year's contributions are adjusted by the pension institutes to take account the estimated credit losses. Thus the total premium income always excludes the amounts that will not be received. One could also say that if some employers cannot pay their contributions, the others have to pay some more! The amounts of annual credit losses have been rather insignificant: in case of the pension companies which comprise the biggest part of social security contributions, the credit losses have been approximately 40 million EUR annually in recent years compared to the total contributions of 11 billion EUR (in 2003).*

*The data of the Social Insurance Institution are based on cash receipts. In the end of 2002 Social Insurance Institution introduced a time-adjustment for employers' and employees' social security contributions for the years 1997-2001. Contributions that concerned earlier years were deducted from cash-based time-series and a remittance concerning December was added from the following year. From that time on Statistics Finland has received time-adjusted data already for the preliminary National accounts in February  $t+1$ .*

**d) Sources and method used for the calculation of interest on an accrual basis where units' data sources provide only information on a cash basis.**

*All interest data is accrual, no need for adjustments.*

**e) Information on other accounts receivable/payable that may be provided in units' data sources.**

*Not applicable.*

**f) Other adjustments regularly implemented.**

*Adjustment on interests not considered in the working balance of the Unemployment Insurance Fund and Unemployment funds.*

### **5.2.2 Revision process**

Steps in the revision process of data, after the first notification.

*The sector accounts are revised in July ( $t+1$ ) when they become almost final. The final figures are available in February ( $t+3$ ).*

## 6. Actual data on government debt

### 6.1 Half finalised and finalised data

a) Adjustments to the data sources that may be needed in order to value debt according to the specific EDP rules for each government sub-sector.

#### Central Government:

The main source for the central government gross debt is the **State Treasury debt report**. It covers all central government agencies and in addition 10 extra-budgetary funds. The source is usually finalised in  $t+1$  month and the figures are directly available at nominal values, i.e. according to EDP valuation rules. State Treasury debt report is used in compiling AF.331 (short-term bonds), AF.332 (long-term bonds) and AF.4 (loans). Data on AF.21 (currency) is obtained from the Bank of Finland.

Since EDP debt covers some more than the State Treasury debt system, the debt equity of the National Nuclear Waste Management Fund and the imputed debt for Public-Private-Partnerships are added. The needed information is obtained from the financial statements. No adjustment for the valuation is needed for the nominal value.

#### Local government:

Financial statements of municipalities and joint-municipal authorities (included in **Statistics of Activities and Finances of Municipalities and Joint Municipalities** compiled in Statistics Finland) is the main source for local government gross debt. The data is complete in  $t+10$  months. It covers all municipalities and joint-municipal authorities. Book values are stated in balance sheets, which comply with EDP valuation rules (nominal/face value). This source is used to compile AF.332 (long-term bonds) and AF.4 (loans) debt.

Data on local government short-term bonds (AF.331) is obtained from Bank of Finland which collects, on monthly basis, information on local government bond issues arranged by banks. The outstanding amount is recorded in face value, i.e. according to EDP valuation rules. This data is finalised in  $t+45$  days.

#### Social security funds:

The debt of the social security funds has been insignificant. The data is obtained from the **Outstanding credit stock statistics and/or from** Government's report on the management and state of central government finances. No adjustment is needed for the nominal value.

b) Sources of information used for the consolidation of debt and the valuation of holdings at the level of each government sub-sector (intra-flows and positions) and at the level of general government sector (inter-flows and positions).

*-at the level of each government sub-sector (intra-flows and positions)*

#### Central Government:

The State Treasury debt report includes information on central government intra-flows and positions (acquisitions, sales and stocks) concerning loans (long-term) and long-term bonds. Figures comply with the EDP valuation rules. The central government consolidated gross

debt is calculated by deducting these intra-positions from non-consolidated gross debt figures. Transactions (intra) are calculated as a difference between acquisitions and sales.

The holdings of State Pension Fund of central government bonds (extra budgetary fund classified in S.1311) are not assorted in the State Treasury debt report. The information is obtained in market prices from the quarterly Investment Portfolio Inquiry for pension institutes made by Finnish Pension Alliance. It is adjusted to nominal values using the ratio of central government bonds at market and nominal value.

Local government:

Intra-local government holdings of debt, concerning all instruments, are indicated in balance sheets of municipalities and joint-municipal authorities. Book values comply with the EDP valuation rules. Using this information local government consolidated gross debt can be calculated. Transactions are calculated as a change in the value of holdings.

Social security funds:

The data is obtained from the financial accounts inquiry at nominal values.

**-at the level of general government sector (inter-flows and positions)**

Central Government:

Data on social security funds' holdings of central government debt mainly consists of holdings of Employment Pension schemes. The information is obtained from Statistics Finland's quarterly Outstanding Credit Stock Statistics, which includes financial corporations', central government's and social security funds' holdings on short-term bonds (AF.331), long-term bonds (AF.332) and loans (AF.4) by debtor sector. Figures are recorded at nominal value. The statistics is finalised in t+45 days.

Information on local government's holdings on central government debt is based on balance sheet data of municipalities and joint-municipal authorities obtained from the financial statistics (see 4.2.1 a)). The book values used comply with EDP valuation rules.

Information on central government's holdings of other general government sub-sectors' debt (i.e. local or social security funds' debt) is based on Statistics Finland's quarterly Outstanding Credit Stock Statistics (S.1313) and Government's report on the management and state of central government finances (S.1314).

Local government:

Data on other general government sub-sectors' holdings of local government debt is obtained from Statistics Finland's quarterly Outstanding Credit Stock Statistics. This source includes financial corporations', central government's and social security funds' holdings of short-term bonds (AF.331), long-term bonds (AF.332) and loans (AF.4) by debtor sector (including local government). Values are recorded in nominal (face) value. It is finalised in t+45 days.

Information on local government's holdings of other general government sub-sectors' debt (i.e. central government debt) is based on balance sheets of municipalities and joint-municipal authorities.

Social security funds:

*Data on central government holdings of social security funds' debt is obtained from Government's report on the management and state of central government finances. Holdings of other sectors (if any) is based on financial accounts data.*

*Social security fund's holdings of other general government sub-sectors' debt is based on Statistics Finland's quarterly Outstanding Credit Stock Statistics (S.1311 and S.13313).*

**c) Use of financial accounts for the implementation of notification table 3, concerning assets and other liabilities.**

*For all sub-sectors, transactions in assets and liabilities in notification tables 3 are based directly on ESA95 financial accounts.*

Central Government:

*In the case of central government, the figures are calculated in the context of General Government Quarterly Financial Accounts (GGQFA), which is the basis for the annual accounts as well. Main sources for financial accounts are central government bookkeeping accounts (F.2, F.4, F.512, F.7), Quoted shares database (F.511), Balance of Payments (F.332, F.513, F.34) and Outstanding Credit Stock Statistics (F.331).*

Local government:

*Transactions of assets and other liabilities indicated in table 3D are calculated in the context of annual financial accounts. Main data sources are Quoted Shares Data-base (F.511), Mutual Fund Statistics (F.52), Balance of Payments (F.34) and financial statements of municipalities and joint-municipal authorities (rest of assets as well as other liabilities). For assets other than AF5 transactions are calculated, as a main rule, as a difference of closing and starting balance. Transactions concerning F.5 are based on actual acquisition and sales prices.*

Social security funds:

*Main source is the Financial Accounts own inquiry, Quotes shares database (F.511) and Balance of Payments. For assets other than AF5 transactions are calculated, as a main rule, as a difference of closing and starting balance.*

**d) Sources of information for the adjustments relating to transactions in debt instruments that are not valued at the nominal (face) value of the instrument, for each government sub-sector.**

Central Government:

*Information on appreciation/depreciation of foreign-currency debt, difference between accrued and paid interests, redemption of debt above/below par and issuance above/below par is obtained from the State Treasury.*

Local government:

*Information on appreciation/depreciation of foreign-currency debt is obtained from balance of payments statistics. In the case of local government no other adjustments are needed, as in financial accounts debt instruments are recorded at nominal value. For example, accrued interest is recorded in other liabilities (F.7).*

Social security funds:

*No adjustments needed, as in financial accounts social security debt instruments are recorded at nominal value.*

**e) Sources of information used for the adjustments relating to a change in nominal debt that does not result from a transaction (other change in volume), for each government sub-sector.**

General Government:

*This item is based on Financial Accounts. It has been applicable only for general government*

## **6.2 Data for the current year notified in April**

### **a) Data sources that may be used specifically in the context of the first notification**

*To compile Notification Table 3A to E for the first notification, preliminary financial accounts (i.e. transactions in assets and liabilities) are calculated for F.2, F.331, F.332, F.34, F.4 and F.5. However, at this stage for other sectors than S.1311 the transactions in AF.7 are not estimated.*

Central Government:

*The sources in the first notification are mainly the same as used in calculating annual/quarterly financial accounts. The central government bookkeeping accounts are not usually finalised before April, but starting from 2006 Statistics Finland has received preliminary 12-month book-keeping data from the State Treasury in February. This data comprises complete set of accounts of all accounting agencies and extra-budgetary funds, but it is not finalized in the sense that the Treasury, agencies and funds may still make corrections to it. Preliminary Balance of Payments figures are available in  $t+45$  days.*

*The main sources available at this stage are **State Treasury Debt Report**, preliminary Outstanding Credit Stock Statistics, Quoted shares database and Investment Portfolio Inquiry for Pension Institutions. Valuation is in line with EDP rules. Intra-central government debt holdings are indicated in the State Treasury debt report and information of State Pension Fund. Data on other general government sub-sectors' holdings of central government debt are obtained from Outstanding Credit Stock Statistics (social security funds) and from the Quarterly Local Government Finance Statistics (local government).*

Local government:

*In the first notification debt figures are calculated in the context of General Government Quarterly Financial Accounts (GGQFA). Its main data source is **Statistics Finland's Quarterly Local Government Finance Statistics (QLGFS)**, which includes quarterly balance sheet information on municipalities and it is completed in  $t+45$  days. QLGFS is based on a sample survey from which joint-municipal authorities are excluded. Thus, these balance sheet figures are not used as such, but previous years figures are brought forward by change indicated by it. QLGFS is used for calculation on AF.332 and AF.4 debt. Book values are indicated, so the valuation is in line with EDP rules. As for finalised data, information on local government short-term bonds (AF.331) is obtained from Bank of Finland.*

*Intra-local government holdings of debt are indicated in the QLGFS. Data on other general government sub-sectors' holdings of local government debt is obtained from Outstanding Credit Stock Statistics.*

*QLGFS is also the source for transactions on assets F.331, F.332, F.4 and F.512. Quoted Shares Database is the source for F.511 and Mutual fund statistics for F.52 (starting from 2005)*

*In addition to QLGFS, an important source is Statistics Finland's quarterly Credit institution statistics, which is used in calculation of transactions of F.2 (deposits) in asset side starting from 2005. It is published in t+45 days. This source includes information on deposits in depository institutions by holding sector.*

*Social security funds:*

*The figures of the first notification are calculated in the context of General Government Quarterly Financial Accounts (GGQFA). However, at the stage of the first notification, the GGQFA for social security funds are not totally in compliance with the annual financial accounts data.*

*Main data sources are the Investment portfolio inquiry for pension institutions (F.332, F.512, F.52), the preliminary Outstanding credit stock statistics (F.331, F.4), Quoted shares database (F.511), preliminary Balance of Payments (F.2, F.332) and Statistics Finland's quarterly publication 'Credits, deposits and interests' (F.2). Data on other general government sub-sectors' holdings are obtained from the preliminary Outstanding Credit Stock Statistics. No information is available for F.7.*

**b) Estimation methods that may be used in the context of the first notification.**

*Central Government:*

*Information from Outstanding credit stock statistics on F.4 is not used as such, but previous years' (quarters') figures are brought forward by (relative) change indicated by the source.*

*Local government:*

*At this stage there is no information on transactions concerning other accounts payable (F.7), other equity (F.513) and insurance technical reserves (F.6). No estimations concerning transactions on these instruments are carried out. Time adjustment of taxes is recorded in F.7 receivables, but no other items concerning F.7 is covered at this stage. As stated in previous section, information from QLGFS is not used as such, but previous years' figures are brought forward by (relative) change indicated by the source.*

*Social security funds:*

*Transactions on deposits (F.2) are estimated and brought forward by change indicated by Statistics Finland's publication 'Credits, Deposits and Interests'. Transactions on loans are estimated and brought forward by change indicated by Outstanding Credit Stock Statistics. There is no information available on other accounts receivable and payable (F.7) at this stage. No estimations concerning F.7 is carried out.*

**c) Steps in the revision process of data, after the first notification.**

Central Government:

*After the first notification  $t$ , central government figures are almost totally in compliance with annual financial accounts compiled in  $t+9$  months. However, some data used for consolidation of the gross debt may not yet be complete and thus the figures must be considered as half-finalised. In next year's first notification ( $t+15$  months) finalised data is compiled. When necessary, back data is also revised within each notification.*

Local government:

*After the first notification ( $t+3$ ) data is revised in October notification ( $t+9$ ). At that point, figures are almost totally in compliance with annual financial accounts compiled in  $t+9$ . However, some data sources are not yet complete and thus the figures must be considered as half-finalised. In next year's first notification ( $t+15$ ) finalised data is compiled. Usually there are only minor revisions at this point. When necessary, back data is also revised within each notification.*

Social security funds:

*After the first notification ( $t+3$  months) data is revised in October notification ( $t+9$  months). At that point, figures are almost totally in compliance with annual financial accounts compiled in  $t+9$  months. In the next year's first notification ( $t+15$ ) finalised data is compiled. When necessary, back data is also revised within each notification.*

## **7. Specific issues**

### **7.1 Long-Term Contracts between Government and Private Entities**

#### **7.1.1 Identification and data sources of long-term contracts between Government and Private Entities (PPPs).**

*So far, there have been only three PPP-contracts in Finland, and there has been a general awareness about their existence.*

*On the case 'Lahdentie' (a motorway project), which is a partnership between central government and a private entity, there has been both public information (e.g. on ministries web-sites) and special data e.g. from budget authorities available concerning the details of the contract. The contract is recorded similarly in the basic source data for central government and in the N.A.*

*On 'Espoon Kaivomestari' (a combined school/swimming hall project), which is a partnership between a local government and a private entity, we have relied on general information provided by media, local authorities and the private party of the contract. The contract is recorded similarly in the basic source data for local government and in the N.A.*

*The Muurla - Lohja section of Highway 1 (E18). Detailed information on the contract has been provided by the Finnish Road Administration.*

#### **7.1.2 Alternative data sources in cases of lack of comprehensiveness or reliability.**

*As for central government, the information on PPPs can be attained from budget authorities and/or State Treasury. As for local government PPPs, there is no direct source to identify these contracts. However, significant contracts are identified in co-operation with experts of Association of Finnish municipalities.*

#### **7.1.3 Terminology used for PPPs in the national language(s) and correspondence in English.**

*Elinkaarimalli = life-cycle model*

*Jälkirahoitus = post-financing*

*JYY-malli (julkisen ja yksityisen sektorin yhteistyömalli) = PPP (public-private partnership)*

#### **7.1.4 Agency, organization, or association dealing specifically with PPPs.**

*There is no specific body.*

#### **7.1.5 Legal instruments, including laws, regulations, or decrees, governing or regulating PPPs.**

*The statement of 26.8.2002 by the State Auditing Board on the recording of PPPs in the central government book-keeping.*

## **7.2 Long-term contracts for military equipment**

### **7.2.1 Contracts used by military forces for the procurement of equipment:**

*There are various arrangements. Purchases are often agreed in advance with industrial suppliers. Government pre-financing is connected to these contracts, especially in more significant acquisitions. Finland has also purchased transport helicopters in co-operation with Norway and Sweden.*

### **7.2.2 Borderline cases regarding the classification of some goods as military goods or as other equipment used by military forces.**

*No borderline cases have been found. In the compilation of national accounts the state bookkeeping data is used as a source for central government sector. The data also includes the finances on the Finnish military forces. In the data the acquisition of military equipment is recorded on a special military equipment's account under operating expenses and all the other non-military equipment such as buildings, airfields, normal transportation vehicles etc. are recorded on the respective balance sheet account and considered as gross fixed capital formation. Military forces has also provided us a more detailed list of the content of the account of military equipment by request on certain years and there is no question about the military nature of the equipment recorded on this account.*

### **7.2.3 Recording of the impact on government expenditure from the above-mentioned contracts.**

*The data source, i.e. the state book-keeping data, is on accrual basis for military expenditure. However, there has been some shortcomings in the application of accrual recording; for example the expenditure from the acquisition of Hornet-fighters was not recorded exactly at the time of delivery in the bookkeeping data nor in national accounts. These deviations from the strict accrual basis in the recording of military expenditure in the state book-keeping have been taken up also by the State Audit Office, and now the application of accrual recording seems to be well assured.*

### **7.2.4 Available information for the treatment of the above-mentioned contracts in national accounts.**

*Insofar as accrual recording principles are correctly applied, the state book-keeping data serves the purposes of national accounts. Complementary information can be attained by request from the Finnish Defence Forces.*

## 7.3 Pension Schemes

### 7.3.1 Definition of pensions

### 7.3.2 Classification of pension schemes

*The schemes in Finland may be found in the following table (key to columns below):*

#	Scheme name	Coverage	Scheme
1	The National Pension Scheme	1-7	A
2	Statutory earnings-related schemes for private sector (TEL, LEL, YEL, MyEL, MEL, TaEL)	1-7	A
3	Statutory earnings-related scheme for local government employees (KuEL)	1-7	A
4	Statutory earnings-related scheme for central government employees (VEL)	1-7	A
5	Statutory earnings-related scheme for employees of the Finnish Evangelical-Lutheran Church (KiEL)	1-7	A
6	A scheme for the employees of The Social Insurance Institution	1-7	A
7	A scheme for the local government employees of the municipality of Åland	1-7	A
8	A scheme for the employees of the Bank of Finland	1-7	C
9	Non-statutory schemes operated by pension funds and pension foundations (A-schemes)	1-7	B
10	Non-statutory schemes operated by life-insurance companies	1-7	F

Key for "Coverage":

- |  |                |
|--|----------------|
| 1) disability pensions                                       | (disability)   |
| 2) early retirement benefits due to reduced capacity to work | (disability)   |
| 3) old age pensions  | (old age)      |
| 4) anticipated old age pensions                              | (old age)      |
| 5) partial pensions  | (old age)      |
| 6) survivors' pensions                                       | (survivors)    |
| 7) early retirement benefits for labour market reasons       | (unemployment) |

Key for "Scheme":

- A. social security schemes;
- B. private funded schemes administered by insurance companies or autonomous pension funds;
- C. private funded schemes operated by employers, which maintain special reserves (segregated from other reserves)
- D. private unfunded schemes operated by employers (without special reserves).
- E. social assistance;
- F. other insurance.

All categories of coverage are included in the Finnish system. Early retirement due to disability or unemployment is totally included, because those pensions are paid either from the national pension scheme or from the earnings related schemes.

There are no borderline cases in defining what is a pension scheme. In the social insurance system as a whole, the statutory accident insurance scheme could be seen as a borderline case. It is managed by accident insurance companies, but because it cannot be separated into independent units, it is now classified outside social insurance system.

### **7.3.3 Classification of social insurance pension schemes**

National Pension scheme covers the national pension insurance intended to secure the basic livelihood of pensioners whose other pension income is small or non-existent. KELA (Social Insurance Institution) is responsible for the national pension insurance. It covers all residents of Finland, including non-employed. Therefore even those who have not been available for work (i.e. do not count as unemployed) are protected by the scheme. These pensions are financed as a pay-as-you-go by contributions of employers).

Finnish statutory earnings-related pension schemes cover all gainfully employed persons. They constitute six different sector-related schemes for private sector employees, separate schemes for central and local government, for Finnish Evangelical-Lutheran Church as well as for some other public institutions. The schemes are based on several pension acts. The schemes, both private and public, are closely related by laws or rules, contributions and benefits being the same, so that the system can be considered as a collective social security system as a whole meant in ESA95 para 4.88(a). Also most of the separate schemes can be interpreted to cover "a large section of the community".

The statutory earnings-related pension system is closely linked to the National Pension system, with the amount of national pension depending on the size of the earnings-related pension benefits. Increases in the earnings-related pension reduce the national pension by 50

*per cent. If the earnings-related pension is above a defined level, the national pension is not paid at all. This implies both private and public earnings-related pensions.*

*In Finland, the first pension pillar comprises all compulsory earnings-related pension schemes and a residence-based national pension scheme.*

*There are separate pension laws for central government employees (VEL) and local government employees (KUEL). The VEL pension law also covers part of local government teachers and workers of some institutions that get financing from the state budget. The contributions and pensions paid under these laws are managed by two different institutions, State Pension Fund (VEL) and the Local Government Pension Fund (KUEL). Social Insurance Institution and Provincial Government of Åland have their own earnings-related schemes.*

*These public schemes form also part of first pillar. They are closely related by laws or rules to the private earning-related schemes, contributions and benefits being the same, so that the system can be considered as a collective social security system as a whole.*

*This fact is also reflected in so called principle of last pension institution: when an application for pension is left to the institute which has received the latest contributions, it will pay the benefits accrued during the whole working period and for the whole time the pensions will be paid. The other institutions that may have received contributions, yearly reimburse their part of benefits. This ‘clearing’ is managed by the Central Pension Security Institution (ETK). The system covers both private (incl. self-employed) and public sector.*

*Some statutory schemes in Finland (so called B-pension funds and foundations as well as statutory B-parts of so called AB-funds and foundations) might be interpreted as “employer” or “multi-employer schemes” because they are managed by employers’ separate funds. However, because these schemes form part of the collective statutory employment pension system managed by the government, they are considered as social security schemes and not as employer schemes. Pension foundations are enterprise-specific, while pension funds cover a broader business sector. These units are governed by policyholders and representatives of labour market organisations. They compete with private employment pension companies.*

*Voluntary pension schemes (the second and third pillar) have played a minor role in Finland since the first pillar includes both the national pension scheme guaranteeing a minimum pension and the statutory earning-related pension scheme. The second pillar comprises only of non-statutory pension schemes managed by pension funds and foundations (so called A-schemes). The third pillar consists of voluntary pension schemes in insurance institutions.*

#### **7.3.4 Definition of social security schemes**

*There are no voluntary pension schemes classified as social security schemes.*

*The statutory earnings-related system is a defined-benefit-one. Contributions and levels of benefits of the Finnish statutory earning-related pension system are determined by government as a part of general economic policy (as three parties’ agreement: central government, employers’ and employees’ central organisations). The pension funds are tightly regulated by the state. The contribution rates, minimum yield requirement and the size of annual index adjustments are fixed by the Ministry of Social Affairs and Health; before the*

annual approval the drafts have to be passed by the Financial Committee of the Council of the State. The premium rate has been also used as an instrument of economic policy; for example in 1992 the premium rate was lowered by 2,5 percentage points to stimulate the national economy.

There is no general direct government guarantee for earning-related pensions in Finland but the employment pension institutions are collectively responsible for commitments made by each institution by pooling. If the employer had not paid the contributions according the contract made, the system collectively assures the pension payments. Or if an employment pension institution fails i.e. in its asset management and goes on bankrupt, the whole system is responsible for pension commitments. This also speaks for the collective nature of the system.

The State pays that part of the farmers' and self-employed people's pension expenditure which exceeds the contributions paid by farmers and self-employed. In addition the residence based national pension scheme guarantees a minimum income for all pensioners in Finland.

### 7.3.5 Classification of institutional units supporting pension schemes. Borderline cases

The following table shows the classification by sub-sector of the different funds, based on the categories listed in section 7.3.2 above.

		Categories of pension schemes					
		A	B	C	D	E	F
Institutional sectors/ sub-sectors	S.11	XX					
	S.121	XX		yes			
	S.122	XX					
	S.123	XX					
	S.124	XX					
	S.125	XX	yes				yes
	S.1311	yes	XX				
	S.1312		XX				
	S.1313	yes	XX				
	S.1314	yes	XX				
	S.14	XX					
	S.15	XX					
S.2							

Yes = there are institutional units belonging to the sector/sub-sector which support (run) pension scheme of the specified category:

No = there is no institutional unit belonging to the sector/sub-sector which supports (runs) pension schemes of the specified category;

XX = the combination is impossible.

There is a borderline case between sectors S.1311 and S.1314. State Pension Fund is classified into S.1311 Central government and not into S.1314 Social security funds, even it must be considered as a part of the collective statutory employment pension system in Finland. The State Pension Fund is an extra-budgetary fund under the administration of the State Treasury. It is collecting and funding all pension contributions under the state pension law (VEL). However, the VEL-benefits are not paid from the fund, but from the state budget.

*To finance these benefits part of the funds have been annually moved to the budget. A law of State Pension Fund ratified in 2000 has permitted the Pension Fund to separate its cash from other cash assets of the state and invest its funds independently from the Treasury. The benefits still remain to be paid from the state budget because of the legislative reasons.*

## **7.4 Guarantees**

### **7.4.1 Treatment of new guarantees provided**

*New guarantees are treated as contingent liabilities, and therefore do not appear in the national accounts.*

### **7.4.2 Treatment of Guarantees called (and not repaid within the same year by the original debtor)**

*Payments relating to guarantees called are generally treated as capital transfers from general government to the relevant sector in national accounts. For certain guarantee schemes (e.g. student loan guarantees), guarantees called are treated as the acquisition of loan assets.*

### **7.4.3 Treatment of repayments related to guarantees called**

*Repayments related to guarantees called have been generally treated as capital transfers from the relevant sector in national accounts to general government. However, starting from 2005, repayments related to called export credit guarantees (which are by far the most significant item in this context) are treated as financial transactions. The change was made in order to achieve consistency between financial and non-financial accounts, and to make the treatment correspond to the present nature of these payments, which include e.g. Russia's early repayments of ex-Soviet Union's debt.*

*For certain guarantee schemes (e.g. student loan guarantees), repayments related to guarantees called are treated as the disposal of loan assets.*

### **7.4.4 Treatment of write-offs by government, if any, of government assets that arose from calls**

*The treatment depends on the type of the guarantee. As most of the guarantees called are expensed at the time of their call, write-offs do not affect the non-financial accounts. For student loan guarantees, write-offs are treated as capital transfers.*

## ANNEX 1

### List of the units included in each of the sub-sectors of general government in 2005.

**S.1311 Central government:** 117 accounting offices and 10 extra-budgetary funds. The extra-budgetary funds are:

- Development Fund of Agriculture and Forestry
- Oil Pollution Compensation Fund
- National Nuclear Waste Management Fund
- National Housing Fund
- National Pensions Fund
- State Guarantee Fund
- National Emergency Supply Fund
- Intervention Fund of Agriculture
- Government Guarantee Fund
- Fire Protection Fund
- In addition, the administrative costs of the extra-budgetary Radio- and Television Fund are included in the S.1311 accounts, even though the fund is classified outside S.1311.

**S.1313 Local government:** 432 municipalities and 231 joint municipalities, Government of Åland, Pension fund of the government of Åland, Association of Finnish municipalities and Local Authority Employers Finland

**S.1314 Social security funds:**

**S13141 Employment Pension Schemes:** Employment pension corporations (7), Obligatory employment pension foundations (30) and pension funds (11), other obligatory employment pension institutions (5).

**S.13149 Other Social Security Funds:**

- The Social Insurance Institution
- The Unemployment Insurance Fund
- The Education Fund
- The Unemployment Funds (41 funds)
- Employee Sickness Funds (153 funds)
- Funeral and Redundancy Relief Funds (6 funds)
- The Association of Insurance Funds.