

Spending Limits Handbook

Preparation and Adjustment of Spending
Limits for the 2024–2027 Parliamentary Term

Economic Policy

PUBLICATIONS OF THE MINISTRY OF FINANCE – 2024:10



MINISTRY
OF FINANCE

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Preparation and Adjustment of Spending Limits for the 2024–2027
Parliamentary Term

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Abstract	The purpose of this handbook is to provide detailed information on the central government spending limits system, thereby improving the openness and transparency of the system. The description of the system offers a detailed picture of how the spending limits for the 2024–2027 parliamentary term were set and how the expenditure ceiling is maintained in practice at the Ministry of Finance. The first Spending Limits Handbook was prepared for the 2012–2015 parliamentary term.	
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Ramhandbok

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Referat	Syftet med den här handboken är att ge detaljerad information om systemet med ramar för statsfinanserna och således göra systemet öppnare och mera transparent. I metodbeskrivningen går man in för att i detalj presentera hur valperiodens ram för 2024–2027 har fastställts och hur ramnivån i praktiken upprätthålls vid finansministeriet. Ramhandboken utarbetades första gången för valperioden 2012–2015.		
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INTRODUCTION

The purpose of this handbook is to provide detailed information on the central government spending limits system, thereby improving the openness and transparency of the system. The description of the system offers a detailed picture of how the spending limits for the 2024–2027 parliamentary term were set and how the expenditure ceiling is maintained in practice at the Ministry of Finance. The first Spending Limits Handbook was prepared for the 2012–2015 parliamentary term.

1 The spending limits system

The present spending limits system has been in place in central government since 2004. The spending rules have been honed and fine-tuned with every change of government. The spending limits system working groups have played a key role in this development work. The topic was most recently discussed in the working group report on developing the steering of general government finances.¹

The spending limits system is a medium-term budgeting system used as a key fiscal policy instrument and an essential part of the Government's budget formulation process. The spending limits system is not a statutory instrument. Instead, the decisions (both on the rules and on the expenditure ceiling) are presented in the Government Programme and in the first spending limits decision of the parliamentary term. Since 2014, the annual decision on spending limits in central government finances has been prepared as part of the General Government Fiscal Plan. The General Government Fiscal Plan covers public finances as a whole, with sections on central government finances, municipal finances, and statutory earnings-related pension funds and other social security funds. This handbook therefore refers at times to the spending limits decision for 2024–2027 and also to the General Government Fiscal Plan for 2024–2027. The central government spending limits system is based on ex ante examination, which means it limits the amount of expenditure budgeted. The spending limits system does not examine central government expenditure outturns.

1 Ministry of Finance (2022). Developing the steering of general government finances Ministry of Finance publications 2022/71. <http://urn.fi/URN:ISBN:978-952-367-085-3>

The spending limits procedure sets a ceiling on approximately 85 per cent of central government budget expenditure. Expenditure that changes according to cyclical conditions and automatic stabilisers remain outside the central government spending limits. The following items will remain outside the spending limits during the 2024–2027 parliamentary term:

- Unemployment benefit expenditures (including changes in relevant expenditures allocated to central government transfers to municipalities), social assistance expenditures, pay guarantees and housing allowance. Expenditure effects generated by changes to the criteria for these items and by discretionary decisions affecting their level will nevertheless be included in the spending limits. Spending limits will not be increased if a discretionary decision seeks to strengthen general government finances.
- Interest expenditure on central government debt.
- Any compensation payable to other tax recipients for changes in tax criteria decided by central government (including social insurance contributions).
- Expenditure corresponding to technically transmitted payments and external funding contributions.
- A transfer to the State Television and Radio Fund.
- Appropriations for VAT expenditure.
- Financial investment expenditure. A financial investment is nevertheless counted as an expenditure included in the spending limits if it is deemed a final expenditure at the time of making the decision.

The spending limits do not cover off-budget funds or other off-budget central government finances. However, as of 2024, the finances of the National Housing Fund and the Development Fund of Agriculture and Forestry will also be brought within the spending limits insofar as the Budget justifications take a position on the levels of their expenditure. Transfers in this respect from the Budget to these funds will correspondingly remain outside the spending limits.

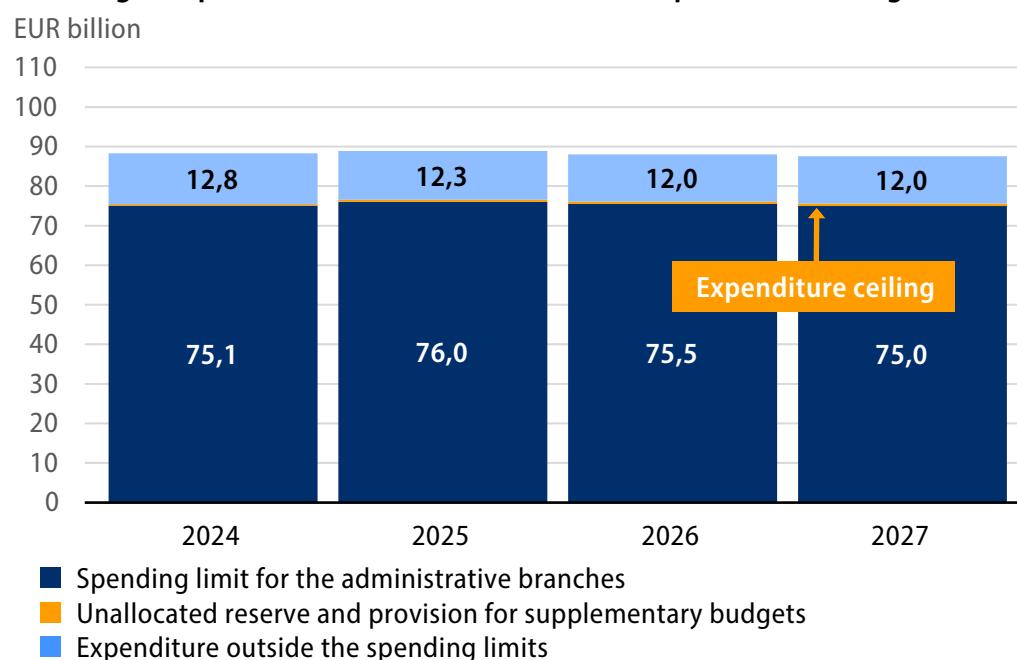
New and temporary defence materiel, civilian material and humanitarian aid intended for supporting Ukraine due to the Russian invasion will also be covered outside the spending limits. The foregoing expenditures based on bilateral or multilateral agreements will be considered as a restructuring correction to the spending limits, meaning that the spending limits for the parliamentary term will be increased in line with expenditure.

The spending limits system is based on the real-term, binding overall spending rule spanning the full parliamentary term, to which only any required price- and cost-level adjustments and structural adjustments are made annually. Adjustments are possible throughout the budgetary process, but most are made when the spending limits decision is prepared and when the budget proposal is being formulated.

The spending limits system also covers supplementary budgets, for which a certain proportion of the spending limits is reserved, known as the supplementary budget provision. In the annual spending limits decisions, the administrative branches are provided with spending frameworks, but only the overall framework for the parliamentary term, namely the expenditure ceiling, is binding. Reallocations may take place between administrative branches. Besides the supplementary budget provision, an unallocated reserve that can be allocated at a later date remains between the parliamentary term expenditure ceiling and the spending limits for the various administrative branches.

Figure 1. On-budget expenditure and spending limits for the parliamentary term

On-budget expenditure and Government term expenditure ceiling in 2024–2027



Expenditure at 2024 prices. Government term expenditure ceiling consists of expenditure allocated to administrative branches, of unallocated reserve and of supplementary budget provision.

Source: Ministry of Finance

The figure shows expenditure at 2024 prices. The spending limits for the parliamentary term consist of expenditure allocated to the administrative branches as well as the unallocated reserve (including the supplementary budget provision). With respect to the EUR 4 billion investment programme outlined in the Government Programme, the figure only includes the expenditure that, by the end of 2023, had been included in the 2024 Budget and spending limits for 2025–2027.²

2 The treatment of expenditure included in the investment programme within the spending limits is examined in more detail in Chapter 3.

2 Programme of Prime Minister Petteri Orpo's Government

The Programme of Prime Minister Petteri Orpo's Government, A strong and committed Finland, was submitted to Parliament in the form of a Government statement on 20 June 2023.³ Annex A of the Government Programme includes the Government's spending limits rule.

In the Government Programme, the Government committed to ensuring that the permanent appropriation decisions outlined in the Programme will lead to expenditure within the spending limits being EUR 1.5 billion smaller in 2027 than in the central government spending limits decided on 23 March 2023 (at 2024 prices).⁴ EUR 400 million of the spending limits for the parliamentary term will be earmarked annually for supplementary budget needs. The Government may spend no more than EUR 100 million of the supplementary budget provision in 2027. Based on the Government Programme, provisions of EUR 120 million in 2024, EUR 150 million in 2025, EUR 180 million in 2026 and EUR 250 million in 2027 will also be made in the spending limits as an unallocated reserve. If annual expenditure falls below the expenditure ceiling even after supplementary budgets, the difference, up to a maximum of EUR 200 million, may be spent the following year on one-off expenditure items, spending limits notwithstanding.

The Government Programme specifies, as usual, that the overall spending limits level will be revised to reflect changes in price levels and, where necessary, structural adjustments will be made. It states the general principle that the purpose of the spending limits in central government finances is to limit the total amount of expenditure to be met by taxpayers. When changes are made in the Budget that are neutral from this perspective, corresponding adjustments may be made in the spending limits of the parliamentary term.

3 Government (2023): A strong and committed Finland – Programme of Prime Minister Petteri Orpo's Government Publications of the Finnish Government 2023:58.

4 A significant portion of the savings in the Government Programme will be allocated to cyclical expenditure (e.g. housing benefits), which is expenditure outside the spending limits. However, the impact of savings relating to cyclical expenditure has been included in the EUR 1.5 billion stated in the Government Programme.

The spending limits system does not restrict the re-budgeting of expenditure, changes to the timing of expenditure items or refunds or compensation of revenue collected during the parliamentary term that has turned out to be unjustifiably high, or other similar items.

The Government will not use tax concessions or tax subsidies to circumvent the spending limits. The Government will likewise not use any share transfers, assignment of debts, funds or other means to circumvent the spending limits in a manner that is contrary to their purpose.

One detail in the Government Programme is that, if fighter aircraft acquisitions give rise to less expenditure than was reserved within the spending limits, the difference will not be used to increase other expenditure. In addition, the indexation and exchange rate expenditures under the fighter aircraft procurement agreement will be taken into account as part of the spending limits price correction.

The Government Programme's spending limits rule includes a dispensation mechanism with a view to ensuring the ability of economic policy to react to highly exceptional and significant external crisis situations that are beyond the Government's control in the manner that the circumstances require, and to limit economic policy manoeuvrability solely to additional appropriations that are essential from the point of view of the crisis without compromising the credibility of economic policy.

Use of the dispensation mechanism may only be triggered by the emergence of an unusual event that Finland is unable to prevent and that has a significant impact on the balance of public finances (such as a pandemic, a war, or circumstances of preparing for extensive terrorism). The factors that trigger the mechanism may involve declaring a state of emergency and applying the Emergency Powers Act. Efforts have been made to define the conditions and principles for the introduction of the use of the mechanism as clearly as possible, and they have been set out in the spending limits rule of the Government Programme.

3 Spending limits for the 2024–2027 parliamentary term

The level of the expenditure ceiling builds on the Government Programme

The expenditure ceiling for 2024–2027 was set in the General Government Fiscal Plan, which was decided on by the Government on 9 October 2023. The expenditure ceiling that was set was derived from the decisions in Annex B (Tables on financial decisions) and from the policies outlined in the Government Programme described above in Chapter 2. Appropriation needs that had not been anticipated in the technical General Government Fiscal Plan⁵ or in Annex B of the Government Programme were taken into account when setting the expenditure ceiling.

Annex E of the Government Programme outlines a fixed-term investment programme of EUR 4 billion. In the Government Programme, the Government has outlined a separate spending limits provision of no more than EUR 4 billion for the investment programme. However, in the course of preparing the General Government Fiscal Plan, it was decided to adjust the spending limits as decisions on appropriations for the investment programme are made rather than making a spending limits provision. In practice, the appropriations for the investment programme will be included in budget proposals and will be included in the General Government Fiscal Plans when income corresponding to the expenditure has been secured and the proposals are ready for decisions to be made.

Handling the investment programme as a spending limits provision was abandoned for practical reasons, because the timing of the expenditure under the investment programme has yet to be determined. Treating the investment programme as a spending limits provision would have required estimating a preliminary annual allocation for the provision, which would later have to be adjusted for changes in timing. Another reason for the approach that was chosen is that the entire EUR 4 billion expenditure impact of EUR 4 billion will not be allocated as appropriations during 2024–2027, which are the years covered by the spending limits for the parliamentary term. The transport infrastructure projects included in the investment programme will be fully covered within the EUR 4 billion, but some of the transport infrastructure projects will be decided as Budget Authorities and

5 Ministry of Finance (2023a). General Government Fiscal Plan for 2024–2027 Ministry of Finance publications 2023:26. <http://urn.fi/URN:ISBN:978-952-367-218-5>

they will have an impact on appropriations that will extend to the years following the parliamentary term. The size of the investment programme, EUR 4 billion, has been outlined in both the Government Programme and the General Government Fiscal Plan. This limits the size of the investment programme in the same way as a spending limits appropriation would.

Compensation for tax losses allocated to municipalities via the system of central government transfers following the tax criteria changes of the previous parliamentary term has been included in the spending limits at the turn of the parliamentary term in accordance with established practices. Consequently, a technical adjustment has been made to the spending limits for the parliamentary term, which will make it easier to monitor the decisions made during the current parliamentary term. As a result, only new compensation for tax losses in the current parliamentary term will be outside the spending limits in accordance with the spending limits rule.

As a new decision, the finances of the National Housing Fund and the Development Fund of Agriculture and Forestry will also be brought within the spending limits insofar as the Budget justifications take a position on the levels of their expenditure.

Price- and cost-level adjustments and structural adjustments

In the spending limits decision of the technical General Government Fiscal Plan of April 2023, the 2024–2027 spending limits were set at the 2024 price and cost levels in respect of statutory and agreement-based indexed expenditure. At the time, price- and cost-level adjustments totalling EUR 2,066 million were made for 2024. Price- and cost-level estimates were further revised during summer 2023 and, as a result, the 2024 price adjustment was revised in the spending limits decision on 9 October 2023, lowering it by EUR 51 million.⁶

When translating to the 2024 price level, cost-level adjustments other than those to statutory and agreement-based price-adjustable spending limits expenditure have not been made in the technical spending limits decision, because the technical spending limits decision does not include the spending limits for the parliamentary term. The spending limits for the parliamentary term is set in the new Government's first spending limits decision. In connection with the price adjustments of the annual spending limits decisions, a discretionary price adjustment will also be made to the expenditure ceiling (see Chapter 4 for more details).

⁶ Under the Government Programme, some expenditure will be subject to index freezes and brakes, which will reduce expenditure compared to the technical spending limits decision. The effect that this will have is not included in the EUR 79 billion amount.

In addition, the expenditure ceiling was adjusted in a manner reflecting structural changes that had occurred after the spring 2023 technical General Government Fiscal Plan with, for example, a upwards adjustment of EUR 33 million made in 2024. Structural adjustments are examined in more detail in Chapter 5.

Table 1. Spending limits for the parliamentary term 2024–2027 (at 2024 prices) based on the Government Programme, EUR million

	2024	2025	2026	2027
Level of spending limits expenditure in the technical spending limits decision 23.3.2023	74 840	75 473	75 382	75 541
Transfer to spending limits of previous parliamentary term's compensation for municipalities' tax revenue losses	275	275	275	275
Technical correction to spending limits level: expenditure outside the spending limits to which savings will be directed, will be added to the level spending limits expenditure	378	521	510	511
Other structural adjustments to spending limits level	33	130	356	420
Price and cost adjustments to the spending limits level	79	-45	-46	-45
Adjustment of spending limits provisions		680	340	
Total spending limits expenditure according to the Government Programme, of which	-246	-685	-981	-1 455
– savings and additional expenditure	-766	-1 235	-1 561	-2 105
– unallocated reserve	120	150	180	250
– supplementary budget provision	400	400	400	400
Transfer of National Housing Fund grants to within the spending limits	98	98	98	98
Transfer of Makera grants to within the spending limits	10	10	11	11
Preparedness for unforeseen expenditure needs	42	127	130	244
Parliamentary term expenditure ceiling (incl. supplementary budget provision)	75 510	76 584	76 076	75 601

The expenditure ceiling set in the first spending limits decision of parliamentary term 2024–2027 will remain in place unchanged throughout the parliamentary term except for annual price adjustments and structural changes. The Government's first spending limits decision on 9 October 2023 was prepared in such a way that, besides the supplementary budget provision, an incrementally growing annual reserve remained unallocated to the administrative branches.

Table 2. Spending limits decision of 9 October 2023 (at 2024 prices), EUR million

	2024	2025	2026	2027
Spending limits for the parliamentary term	75 510	76 584	76 076	75 601
Administrative branch spending limits, total	74 963	76 035	75 496	74 950
Supplementary budget provision	400	400	400	400
Unallocated reserve	120	150	180	250

4 Annual price- and cost-level adjustments

The spending limits system is based on the real-term expenditure ceiling set for the duration of the parliamentary term. The ceiling is expressed at the prices of the budget year following the decision-making year. As its name suggests, the spending limits for the parliamentary term cover only one parliamentary term, but the annual spending limits decision always covers the next four years. For example, the April 2023 spending limits decision covered 2024–2027 and it was prepared with respect to all four years at the price level for 2024.⁷

The four-year expenditure ceiling is always raised to the following year's price and cost levels in conjunction with the annual decision on spending limits. The various ministries deliver their basic computations and spending limits proposals to the Ministry of Finance based on the current year's price and cost levels, which means that the proposals submitted in January 2023, for example, were given at 2023 prices. The spending limits were then translated to the price level of 2024 by the Budget Department of the Ministry of Finance during the administrative procedure in January–February. The price- and cost-level adjustments are based on the independent economic forecast made by the Economics Department of the Ministry of Finance and on the estimates provided in the forecast for the annual movements of the various indexes. The forecast made by the Economics Department in December was used in January–February.

The price- and cost-level adjustments are revised in collaboration with the ministries in March once the Economics Department has prepared its March economic forecast.⁸ Price adjustments are also reviewed in the early autumn when the budget proposal is being formulated. At this point, the adjustments are revised if and where the new autumn economic forecast not yet released by the Economics

7 However, there are some exceptions to this rule, in which case expenditure is nominal for each year: Payments to the European Union, EU and central government funding contributions to the EU Structural Fund, incrementally expanding tasks of the wellbeing services counties and interest expenditure on central government debt.

8 The adjustments mentioned in this section are not made to the discretionary price adjustment described in more detail below.

Department deviates from the March forecast. Further price adjustments are also possible in connection with the amendment to the budget proposal in the late autumn if the National Pension Index (KEL) or the Earnings-related Pension Index (TyEL) confirmed for the following year differs from the autumn forecast. Agreement-based price- and cost-level adjustments can be made, if necessary, in supplementary budgets.

The purpose of price- and cost-level adjustments is to update the expenditure ceiling so that it is at the same price level as the budget proposal prepared in the year in question, setting for it an expenditure ceiling. Like the spending limits system as a whole, adjustments are based mainly on ex ante examination. Price- and cost-level adjustments are performed using the available forecast data relating to various indexes. The ex ante cost-level adjustment of the Defence Forces, however, is revised ex post, based on actual index movements. The confirmed National Pension and Earnings-related Pension Indexes are based on the price development of the past period and are therefore not adjusted ex post.

A price adjustment to the expenditure ceiling is done by taking into account all expenditure belonging to the spending limits and the price indices that describe them best. The items covered by the price- and cost-level adjustment procedure and the indexes used for adjustment are presented in further detail in Appendix 1. Price adjustment consists of three elements:

1. Statutory index adjustments

- This group includes index adjustments for expenditure such as the following: funding of wellbeing services counties, central government transfers to municipalities, statutory index-linked benefits, pensions, central government funding to universities and universities of applied sciences.
- Index adjustments to both the overall expenditure ceiling and to the individual items (to the extent that index adjustments have not been frozen or reduced).
- During the 2020–2022 parliamentary term, the annual adjustment varied between EUR 327 and EUR 525 million. The adjustment for 2023 was EUR 1,759 billion, of which EUR 756 million was an index adjustment to the funding of the wellbeing services counties, which began operating in 2023.

- The calculation of adjustments uses, as precisely as possible, those indexes to which the expenditure in question is statutorily linked: the National Pension, Earnings-related Pension, Wellbeing Services County, Consumer Price and University Indexes as well as the Vocational Education and Training Index.

2. Agreement- or decision-based price adjustments

- This group includes price adjustments for the following expenditure: central government pay settlements, and index adjustments to materiel procurement and operating expenditure of the Defence Forces.
- Price adjustment is made to both the overall expenditure ceiling and to the individual items.
- Expenditure of the Defence Forces covered by the index increase is raised ex ante by 1.5%, and the increase is revised ex post (see Appendix 1).
 - In 2021–2023, the price adjustment to defence expenditure varied between EUR 11 and EUR 160 million when counting the advance price adjustment for the year in question and the ex-post adjustment for the previous year.
- Price adjustments relating to central government payroll expenditure vary from one year to the next according to the outcome of collective agreement negotiations as the spending limits level is adjusted according to the actual pay settlement, not index projections.
 - The spending limits for 2021–2023 have been increased by EUR 131–243 million as a result of the central government's pay settlements.

3. Price adjustments of other expenditure belonging to the spending limits

- This group includes all other spending limits expenditure (rents, transfers, real investments, etc.).
- This discretionary price adjustment is made to the overall expenditure ceiling but not to the pertinent items, allowing room for manoeuvre within the ceiling (or to reduce it, if the price adjustment proves to be negative) and permitting discretionary allocation.
- The discretionary price adjustment was EUR 179 million in 2021, EUR 270 million in 2022 and EUR 617 million in 2023 (the effect of switching to the prices of the year in question). If the effect of switching to the prices of 2021 and 2022 is taken into account, the discretionary price adjustment increased the expenditure ceiling for 2023 by a total of EUR 1.4 billion (after the spending limits for the parliamentary term were set in autumn 2019).
- Price adjustment of other spending limits expenditure is done in a weighted manner according to the expenditure structure determined at the beginning of the parliamentary term (the weighting for the 2024–2027 parliamentary term is based on expenditure classification by the type of economic activity as presented in the spending limits decision for 2024–2027).

Statutory and agreement-based price adjustments are always made to the expenditure ceiling for the parliamentary term in the same amount as budgeted for the items. This means that expenditure growth arising from a change in price or cost level is, in these cases, automatically taken into account when scaling the overall spending limits level.

In the spending limits rule for Prime Minister Orpo's Government, it was decided to simplify the price adjustment of the third group (i.e. other spending limits expenditure) by only adjusting the prices of the expenditures in question once a year in accordance with the consumer price index forecast. The price adjustment is based on the expenditure structure of the first spending limits decision of the parliamentary term and classified by type of economic activity and on the newest forecast of consumer prices available in January when the price adjustment is made. Price adjustments are made to the overall expenditure ceiling only.

5 Structural adjustments

Under the Government Programme, it is possible to make structural adjustments to the overall expenditure ceiling. In practice, this means that the expenditure ceiling for the whole parliamentary term or that for one given year is raised or lowered. The following describes why and when this is typically done.

According to the Government Programme, the spending limits system carries no restrictions on the re-budgeting of expenditure or on changes to the timing of expenditure items. If, for example, it is decided that a renovation project scheduled for 2026–2027 is brought forward to 2024–2025, the expenditure ceiling for 2026–2027 is reduced by an equivalent amount and the ceiling for 2024–2025 is correspondingly raised. Or, if an information technology investment funded by means of a three-year deferrable appropriation from 2024 is postponed and the remaining appropriation sum must be deleted and re-budgeted in 2026, then the expenditure ceiling for 2026 is raised by an equivalent amount. These are examples of structural adjustments. Structural adjustments are also made, for example, when the budgeting principle of some item is changed from a net basis to a gross basis or vice versa.

As a rule, expenditure outside the spending limits is budgeted for items which are entirely outside the spending limits. There are also cases, however, in which individual expenditure budgeted for an item belonging to the spending limits should actually be excluded from the spending limits, based on the spending limits rule. In such cases, the expenditure ceiling and room for manoeuvre can be maintained at the correct level by making a structural adjustment to the level of the ceiling. For instance, pass-through funding for joint development aid projects is budgeted under the ordinary development aid item (24.30.66) in the spending limits, but at the same time an equivalent structural adjustment is made to the expenditure ceiling, so that this technical pass-through item does not constrain the ceiling. The same principle also applies, for example, to transport investments partly funded by municipalities: the overall expenditure ceiling is raised by a sum equivalent to the amount of municipal funding budgeted under the revenue item, and an appropriation of the same magnitude is budgeted in the spending limits item for transport projects.

There are also other situations in which structural adjustments are made in the spirit of the spending rule. When preparing budgets and annual decisions on spending limits, sometimes situations arise where it is not entirely clear whether an expenditure item belongs within or outside the spending limits. In such cases, the spending rule principles specified in the Government Programme are used as a guideline, and reports produced by the spending limits system working groups provide interpretative assistance where necessary. The spending rules do not, however, always give unambiguous guidelines for the interpretation of discretionary situations. The Government Programme guideline “the purpose of the spending rule is to limit the taxpayer’s contribution to the total amount of expenditure” serves as a guiding principle in discretionary situations.

Financial investment expenditure

Financial investment expenditure consists of loans and other financial investments (item codes 80–89), generally comprises one-off items and involves the acquisition of central government assets or the conversion of central government assets into a different category. While the spending limits system in its present form has been in use, financial investments have, as a general rule, been specified as expenditure outside the spending limits.

Interpretation has at times been difficult as regards which financial investment expenditure is, in line with the spirit of the spending rule, outside the spending limits and which should be classified as belonging to them. As a general rule, expenditure budgeted under financial investment items is genuine financial investment. The approach concerning loans, for example, is that they will be paid back to central government with interest. In some cases, however, a financial investment has exceptionally been included in the spending limits when, at that point, it has been regarded as representing final expenditure for central government. This was the case in 2015–2017 concerning some capitalisations to Terrafame Group Ltd. In addition, in the 2020 Budget an appropriation of the share acquisitions item (31.01.88) of the Ministry of Transport and Communications was re-recognised as belonging to the spending limits. The item concerned will be used for financing planning costs of new railway connections via project companies.

A financial investment may be classified as expenditure belonging to the spending limits if it is at that point regarded as constituting final expenditure. This may, for example, mean that a capitalisation is used for a purpose resembling ordinary budget expenditure, without any returns expected to result for central government from this in the form of return on invested capital or profit distribution.

6 Monitoring and reporting

Price- and cost-level adjustments as well as structural adjustments in the expenditure ceiling for the parliamentary term are nearly always made in connection with the budget formulation process. The adjustments made are itemised and reported in the general strategy and outlook part of the budget proposal. In that context, a general overview is provided of the expenditure ceiling, the expenditure included in the spending limits and the available unallocated reserve resources.

In addition, an appendix to the General Government Fiscal Plan always gives a summary of all structural changes that have taken place since the previous General Government Fiscal Plan. Also described in detail are the price- and cost-level adjustments at the following year's prices. Also appended to the General Government Fiscal Plan are the economic forecasts of the Economic Department of the Ministry of Finance on which the most recent price- and cost-level adjustments are based.

Particular attention will be paid to the clarity of reporting of structure changes. The aim is to spell out structural changes more clearly than before, avoiding any unnecessary abridgment. Efforts will be made to avoid structural adjustments entailing the netting out of appropriations of items or, if this takes place, the entry will specify clearly which items and appropriations the netting out covers. In addition, if a previous structural adjustment is specified further in a subsequent budget process, clear reference is always made to the previous structural adjustment as well as to the budget proposal or spending limits under which the structural adjustment was originally made.

Appendix 1: Indexes used in the price- and cost-level adjustment of spending limits expenditure

Spending limits expenditure subject to statutory index adjustments:

Budget code	Budget item	Index
28.50.15	Pensions	Earnings-related Pension Index (TyEL)
28.50.16	Supplementary pensions and other pension expenditure	Earnings-related Pension Index (TyEL)
28.90.30	Central government transfer to municipalities for arranging basic public services	Index of Central Government Transfers to Municipalities (VOS)
28.89.31	Funding of wellbeing services counties	Index of Wellbeing Services Counties
29.10.xx, 29.80.xx, 29.90.xx	Central government transfers under the Ministry of Education and Culture, multiple items	Index of Central Government Transfers to Municipalities (VOS)
29.01.51	Grants for church and religious activities (grant to the Orthodox Church of Finland)	Consumer Price Index
29.01.52	Central government funding for social duties of the Evangelical Lutheran Church of Finland	Consumer Price Index
29.20.30	Central government transfer and discretionary government transfer for vocational education and training	Vocational Education and Training Index
29.40.50	Central government funding for universities	University Index
29.40.55	Central government funding for universities of applied sciences	University Index
29.70.55	Study grant and housing supplement (study grant)	National Pension Index (KEL)
29.80.16	Supplementary artist and journalist pensions	Earnings-related Pension Index (TyEL)
29.80.56	Central government funding for the activities of national art institutions	Consumer Price Index (1/3) and Index of Wage and Salary Earnings (2/3 weight)
33.10.50	Family benefits (child maintenance allowance)	Consumer Price Index
33.10.53	Conscript's allowance	National Pension Index (KEL)

Budget code	Budget item	Index
33.20.55	Central government transfers to the Employment Fund	National Pension Index (KEL)
33.30.60	Central government contribution to expenditure arising from the Health Insurance Act (e.g. minimum daily allowances)	National Pension Index (KEL)
33.40.50	Central government contribution to expenditure of the Seafarers' Pension Fund	Earnings-related Pension Index (TyEL)
33.40.51	Central government contribution to expenditure arising from the Farmers' Pensions Act	Earnings-related Pension Index (TyEL) ¹
33.40.52	Central government contribution to expenditure arising from the Self-Employed Persons' Pensions Act	Earnings-related Pension Index (TyEL) ¹
33.40.53	Central government compensation for pension accruing during child care and studies	Earnings-related Pension Index (TyEL)
33.40.54	Central government contribution to expenditure arising from accident insurance for farmers	Earnings-related Pension Index (TyEL)
33.40.60	Central government contribution to expenditure arising from the National Pensions Act	National Pension Index (KEL)
33.50.50	Front-veteran's supplements	National Pension Index (KEL)
33.50.52	Compensation for military injuries	Consumer Price Index ¹

¹ There are certain items under the administrative branch of the Ministry of Social Affairs and Health where the computation of index adjustments is complex due to reasons including that the central government contribution is determined on the basis of the difference between revenue and expenditure dependent on different indexes. The index selected for use is the one that reflects price development as well as possible.

The table above does not include statutory index-linked expenditure the items of which have not usually been subject to index adjustments due to the small euro amount of the adjustments. Such expenditure includes, at least, the reception and spending allowance, supplementary pension for athletes and farmers' early retirement aid and pensions.

Compared to the beginning of the 2020–2023 parliamentary term, funding for wellbeing services counties, central government funding for the activities of national art institutions and supplementary pensions for artist and journalist have been added to the list of statutory index-adjusted spending limits expenditure. However, in 2024–2027, index adjustments will not be made to all benefits tied to the National Pension Index or Consumer Price Index with the exception of social assistance, pensions, front-line veteran's supplements, disability benefits, child maintenance allowances and the annual maximum limit

on out-of-pocket costs for medicines. In addition, a cost cut corresponding to an increase of one percentage point will be made in 2024–2027 to the index increase to central government transfer to municipalities for basic public services, as will central government funding for the Evangelical Lutheran Church and subsidies for religious activities.

Spending limits expenditure with price adjustments based on an agreement or a decision:

Budget code	Budget item	Index
27.10.01	Defence Forces operating expenses (excl. personnel expenditure)	Notional 1.5% (adjusted on the basis of Consumer Price Index outturn)
27.10.18	Defence materiel procurement	Notional 1.5%, adjusted on the basis of subindex C28 of the Producer Price Index (Manufacture of machinery and equipment n.e.c), with the exception of index expenditure of Squadron 2020 project, which will be adjusted ex post to reflect the outturns of indexes specified in the contracts)
27.10.19	Procurement of multi-role fighters	A predictive 1.5% cost level adjustment will be made to the uncommitted portion of the 2021 order authorisation for multirole fighter aircraft. A purchasing power adjustment of 1.5% will be made to the unused portion of other funding for the acquisition of multirole fighters, which will be subsequently revised according to actual figures with a combination of indices (Building Cost Index 70% and Producer Price Index for Services 30%).
27.30.20	Military crisis management equipment and administrative expenditure	Notional 1.5% (adjusted on the basis of Consumer Price Index outturn)
Items containing personnel expenses	Pay settlements and changes to employer's social security contribution	Based on outturn (based on changes budgeted to items)

Price adjustments in other spending limits expenditure:

Item code	Classification according to type of economic activity	Index
01–14, 20–28	Other operating and consumption expenditure (excl. pensions, payroll expenditure, index-linked expenditure of the Defence Forces, expenditure for basic transport infrastructure)	Consumer Price Index
	Transport network expenditure (31.10.20, 31.10.76, 31.10.77, 31.10.78, 31.10.79)	Consumer Price Index
30–39	Other government aid to municipalities and joint municipal authorities	Consumer Price Index
40–49	Government aid to business and industry	Consumer Price Index
50–59	Non-indexed transfers to households	Consumer Price Index
50–59	Other government aid to households and non-profit-making organisations	Consumer Price Index
60	Transfers to off-budget central government funds	Consumer Price Index
60	Central government contribution to expenditure arising from the Health Insurance Act	Consumer Price Index
61–65	Central government funding contribution for EU subsidies, other domestic transfers	incl. in programme spending limits
66–69	Transfers to EU and abroad	spending limit at current prices
70–79	Real investments (excl. transport network)	Consumer Price Index
90–99	Other expenditure	Consumer Price Index
	<i>Supplementary budget provision and unallocated reserve</i>	Consumer Price Index

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