PRESS RELEASE

Palais Cambon, 27 June 2025

Finance and public accounts

THE FINANCIAL SITUATION OF LOCAL AUTHORITIES IN 2024

The Court of Accounts publishes its annual report on the financial situation of local authorities, based on an examination of their accounts for 2024. In 2024, local authorities contributed significantly to the increase in the total public deficit, despite their limited share of it. This is the result of a growing scissor effect between dynamic operating and investment expenditure and revenues that are growing, but at a slower pace.
Despite the increase in their borrowing requirements, local authorities are maintaining their solid fundamentals. However, their financial situations are increasingly divergent. Local authorities have yet to make a concrete contribution to the recovery of public finances.

The financing needs of local authorities more than doubled in 2024

Since 2023, local authorities have been experiencing a need for funding. In 2024, the amount more than doubled compared with 2023, reaching €11.4bn, or 0.4 % of GDP. Local authorities account for a small proportion of the general government deficit (€169.6bn, or 5.8 % of GDP), but the deterioration in their balance (by 0.5 % of GDP in total) represents half of the increase in the general government deficit between 2022 and 2024. The rise in local authorities' borrowing requirements reflects a growing scissor effect between their operating and investment expenditure and their revenue.

Growth in local authority operating revenue (€258.2bn) has slowed in absolute terms (+2.7 %, after +3.4 % in 2023), but has accelerated after deducting inflation (+0.7 point compared with -1.5 point). The increase was driven by a 5.2 % rise in property tax revenues, due to the indexation of residential property tax bases in line with inflation. VAT revenues, on the other hand, were stable due to the worsening economic climate. Revenues from transfer duties fell again (-14.0 % in 2024, or -33.1 % cumulatively since 2023) due to developments in the property market. Growth in local authority operating expenditure (€220.5bn) also slowed in absolute terms (from 5.9 % to 4.1 %), but accelerated after inflation (up 2.1 percentage points in 2024 compared with 1 percentage point in 2023). Personnel expenses were boosted by index-linked pay rises, but also by the increase in the number of staff and in the allowances paid by local authorities. Purchases of goods and services rose by much more than inflation, partly due to its delayed effects. The increase in departmental social welfare expenditure reflects the growth in the number of beneficiaries and increases in benefits and tariffs.

The increase in operating expenditure was driven by the “municipal block”. Spending by the departments was less dynamic. Those of the regions grew less than inflation.
As a result of a greater increase in expenditure than in operating revenue, gross savings, which is the

difference between the two (€37.7bn), continued to fall in 2024 (-€1.8bn, after -€3.5bn in 2023). At the same time, local authorities continued to increase their investment spending (€77.4bn, up 6.8 %). Inflation now has only a marginal effect on this trend, which is linked above all to the approach of the municipal elections, the ecological transition and the effort devoted to rail transport by the regions. To finance their investments, local authorities reduced their cash flow and increased their debt.

Overall finances remain strong, but disparities between local authorities are growing

In 2024, local authorities remained, on average, in a solid financial position despite the increase in their financing requirements and their financial debt. Local authorities are not authorised to borrow to finance their operating expenditure or repay loans, but only to invest. Their level of gross savings (14.6 % of operating revenue) is double the alert threshold. Their debt repayment ratio of 5.2 years of gross savings is well below the critical thresholds. Their debt (€194.5bn) still represents a small proportion of GDP (7.4 %). However, the financial situations of the different categories of local authority are increasingly divergent. Overall, municipalities and inter-municipal bodies continue to enjoy a favourable situation thanks to buoyant property tax revenues. The situation in the regions continues to deteriorate despite overall control of their operating costs. The situation of the departments is increasingly deteriorating due to the scissor effect stemming from the rise in their social spending and the decline in their revenue from transfer duties.

Situations are also increasingly divergent within each category of local authority. As a result, a third of departments have gross savings below the alert threshold, while a significant number of departments are still in good financial health. The nature and distribution of departmental resources need to be re-examined as a whole.

A contribution by local authorities to the recovery of public finances that remains to be realised

The urgent need to restore public finances requires the participation of all public administrations, in accordance with their respective capacities. The local authorities' contribution is justified by the share of their expenditure in total public spending (almost a fifth), by the significant transfers of national tax resources from which they benefit, and by the room for manoeuvre that most of them retain. It must be distributed fairly between local authorities so as not to jeopardise essential public services and policies. In the second part of this report, to be published in the autumn, the Court will analyse the contribution of local authorities to the recovery of public finances in 2025.

Read the report

The Court of Accounts ensures that public money is used properly and informs citizens accordingly.

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