PRESS RELEASE

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Finance and public accounts

FINANCIAL OUTLOOK AND THE CONTRIBUTION OF LOCAL AUTHORITIES TO THE RECOVERY OF PUBLIC FINANCES

On 27 June last, the *Cour des comptes* published the first part of its annual report on local public finances. It noted that local and regional authorities had made a significant contribution to the increase in the public deficit in 2024, even though they accounted for only a small proportion of it, and called on them to make a concrete contribution to the recovery of public finances. Today, the *Cour des comptes* publishes the second part of its annual report on local public finances, in which it analyses the financial outlook and the contribution of local authorities to the recovery of public finances. Unlike in previous years, local authorities will make a significant contribution to the recovery of public finances in 2025. While the balance is expected to deteriorate, it could stabilise or even improve by 2025. Beyond the one-off measures for 2025, we need to organise a predictable, fair and sustainable contribution from local authorities to the recovery of public finances over the long term.

A significant contribution to the recovery of public finances in 2025

The Finance Bill and the Social Security Financing Bill for 2025 forecast that local authorities would contribute €8.1bn to the recovery of public finances in 2025. According to the information gathered by the *Cour des comptes*, the contribution provided for in the financial acts and their implementing regulations amounts to €5.4 billion for 2025. It is based on five measures that will reduce government and social security deficits and must encourage local authorities to moderate their spending: an increase in local authority contributions to the CNRACL pension scheme for local authority and hospital civil servants (€1.4bn); a freeze on VAT paid to local authorities (€1.2bn); reductions in State budget appropriations paid to local authorities (€1.3bn); a reduction in certain deductions from government revenues ("adjustment variables") in favour of local authorities (€0.5bn); a deduction from local authority tax revenues, the "DILICO" (€1bn).

VAT receipts fell in the first half of the year. If they do not rise, the freezing of VAT paid to local authorities at its 2024 level will preserve their revenue in 2025.
The DILICO deduction from the revenues of the *départements* and *régions* currently has no indisputable legal basis. The law stipulates that the DILICO levy will be returned to local authorities in 2026, but only up to the limit of a new levy to be made. The eventual outcome of DILICO is uncertain. The State could keep all or part of it. The increase in contributions would enable CNRACL to break even in 2028, but it would return to deficit in 2029. The amortisation of its debt remains to be organised.

A deterioration in the balance of local authorities in 2025 which may not be confirmed

Last April, the government forecast a further deterioration in the deficit of local authorities, which would reach -€14.1bn in 2025, compared with -€11.4bn in 2024. This €2.7bn reduction would mean that local authorities would absorb half of the reallocation of resources from them to the State and social security. However, this forecast may not be confirmed. It seems possible that in 2025 the deficit balance for local authorities will stabilise or even improve compared with 2024.
In fact, compared with the same period in 2024, local authority accounting data to the end of August 2025 (8 months) shows stronger than expected growth in their tax revenues (property taxes and transfer taxes, which rebounded sharply after falling by a third between 2022 and 2024) and, conversely, a more pronounced slowdown in their expenditure. All categories of local authority are moderating their operating expenditure. The *départements* and *régions*, whose financial situation has deteriorated, are reducing their investment spending, while the increase in spending by municipalities and inter-municipalities appears to be running out of steam with less than a year to go before the municipal elections.

Local authorities' contribution to reducing the public deficit needs to be organised over the long term

The local authorities' contribution to the recovery of public finances is justified by their share of total public spending (almost 18%), by the fact that financial transfers from the State now account for the majority of their revenue, and by the fact that they have greater control over their spending in three areas: personnel, the purchase of goods and services, and the pooling of services and facilities within the framework of inter-municipal cooperation. However, it is important that the contribution made by local authorities is predictable, transparent and fairly distributed between the categories in order to preserve essential public services.

Parliament should be presented with a multi-year financial trajectory specific to local authorities, as well as the means to achieve it, in the draft public finance programming laws and annual finance laws. Setting a standard for changes in financial transfers from the State would encourage local authorities to moderate their spending. This standard should cover all transfers (compared with less than a third at present), be differentiated by category of local authority to take account of the heterogeneity of their financial situation, and finally be applied individually to local authorities in each category according to their relative level of wealth.
We also need to strengthen the equalisation of financial resources between local authorities. In particular, VAT and the global operating grant should be fully distributed between them on the basis of contemporary data enabling their level of wealth to be characterised, and no longer on the basis of historical data unrelated to their current needs.

Read the report

The **Cour des comptes** ***ensures that public money is used properly and informs citizens accordingly.***

Press contacts
Julie Poissier - Communications Director - +33 (0)6 87 36 52 21 - julie.poissier@ccomptes.fr
Mendrika Lozat-Rabenjamina – Press Relations Manager - +33 (0)6 99 08 54 99 – mendrika.lozat-rabenjamina@ccomptes.fr