



## Press release

The July 2020

### PUBLIC FINANCES AND ACCOUNTS

## LOCAL PUBLIC FINANCES IN 2020

### Pamphlet 1 - [Report on] The financial situation and the management of local communities and their public facilities in 2019

**As with 2018, the financial context remained favourable to local communities in 2019 thanks to the dynamism of their tax revenue, the slight progression of transfers from the State and relatively controlled expenditures. Their gross savings, which significantly increased, contributed to the financing of local investments, which increased considerably these past two years, and the progression of their debt was contained. On the whole, local communities therefore addressed 2020 and the health crisis from a better position than the State. But great disparities between them remain and they should be affected in various ways by the health crisis. Regions and *départements*, whose revenue and charges can be economically sensitive, shall be particularly exposed.**

#### **A favourable economic context for local communities in 2019**

In 2019, local communities registered €39bn in gross savings, representing an 8.8% increase in comparison to 2018, out of a total of €225bn of operating resources. Under the effect of major standard upgrading of housing and property taxes – higher in 2019 than in past years – and of dynamic economic taxation, local tax revenues increased by €4.5bn. Financial transfers from the State increased again slightly in 2019. In total, on a like-for-like basis, local communities' revenues have increased by €9.8bn since 2017, after a comparable reduction in the amount of financial support between 2014 and 2017.

On the whole, local communities met their progression objective in terms of operating expenditure (+1.2% per year over a three-year period). Therefore, the savings they managed to register were essentially used to finance a new increase in their investments (+ €7.1bn in 2019), at the cost of a relative stability in their debt.

#### **An increase in the diversity of situations between communities**

This overall improvement should not, however, conceal significant differences between the communities. Therefore, the financial situation of small municipalities is generally more favourable than that of the more inhabited municipalities, but they more frequently – on a proportional basis – presented degraded financial ratios.

The strong progression of the tax revenue of *départements*, in particular as regards transfer duties, made it possible to absorb the continuous increase in social expenditure, while investing more. The increase in their savings allowed them to



reduce their recourse to loans and improve their capacity in terms of debt reduction. This situation shouldn't conceal the structural weakness of their finances, which are highly exposed to developments in the economic situation and the real estate market. The financial situation of *départements* with 500,000 to 1 million inhabitants appears more at risk.

Finally, regions enjoyed highly dynamic local taxation that helped significantly increase their savings – despite the fact their expenses were more dynamic than for other categories of local communities – and a substantial increase in their investments (+11.3%). Their overall debt reduction capacity improved again in 2019. However, while the outstanding debt decreased for four regions in mainland France, it progressed by over 8% for four other regions.

### **The upcoming impact of the health crisis on local finances**

The impact of the health crisis should diversely affect local communities, depending in particular on the nature of their expenses and revenue.

Because of their competence in the field of economic development and the influence of activity on their revenue, regions should be one of the first to see their savings shrink. Maintaining a high level of investment and supporting the recovery plan should lead to an increased debt ratio.

*Départements* appear particularly exposed to a downturn in the economic situation. The possible growth of their social expenses combined with resources more related to the economy should increase the scissor effect to which they are exposed.

As for the municipal bloc, while its overall financial situation appears more favourable, it remains however characterized by great diversity: certain profiles of municipalities are more exposed due to the importance of their revenue and expenses which can be economically sensitive (touristic municipalities, overseas municipalities, etc.).

An initial analysis of the repercussions of the health crisis shall be issued by the Cour des comptes as part of the second pamphlet of its report on local public finances, during the second semester of 2020.

**[Read the report](#)**

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