

Les finances publiques locales et les normes ESG

Réflexions sur base de l'analyse de cas de pays étrangers

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Bruxelles

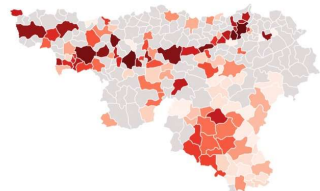
Pourquoi les communes bruxelloises sortent financièrement fragilisées de la mandature

17-09-2024, 13:07 • Mise à jour le: 17-09-2024, 13:07 • Source: Belga •

Votre commune est-elle soumise à un plan de redressement financier ? (infographies)

Seules, de nombreuses villes et communes ne sont plus capables de boucler un budget en équilibre. Les Régions multiplient les aides d'urgence pour éviter le naufrage. Mais de nouvelles dépenses explosives pointent le bout de leur nez.

Article réservé aux abonnés



Par Xavier Counasse (avec J.Bis et M.Brid)

Publié le 20/09/2024 à 14:00 | Temps de lecture: 3 min



ING exclut 7 villes wallonnes du plan Oxygène de financement

Amid Faljaoui

07/10/2024, 07:08 • Mise à jour le: 07/10/2024, 08:08 •



Les 11 communes bruxelloises sous contrôle financier

Aides perçues depuis 2004 pour éponger leur déficit

	Aide perçue (€/habitant)	En millions d'euros
Jette	406	22
Anderlecht	311	39,4
Molenbeek-St-Jean	276	27,1
Evere	267	12,1
Saint-Gilles	258	12,7
Berchem-Ste-Agathe	224	5,8
Schaerbeek	189	24,7
Forest	173	10
Ganshoren	117	3
Etterbeek	40	2
Watermael-Boitsfort	40	1

Source : FRBRTC



Context



ESG



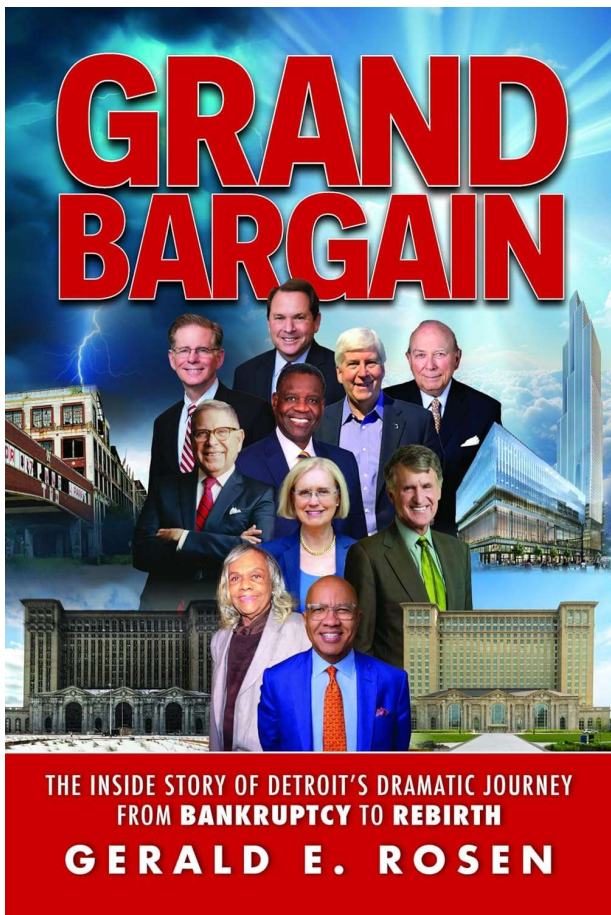
Illustrations - England



Questions for Belgium (Brussels and Wallonia)



Law, ESG and local finances



Context

Local government (special entities)

New York (1975)

Detroit (Michigan 2013)

- Long economic decline
- High level of pension debts
- pension (though constitutionally protected) cuts
- Arts Collection
- Non-elected manager

=> Chapter 9 Bankruptcy Code

Problem Uncertain definition

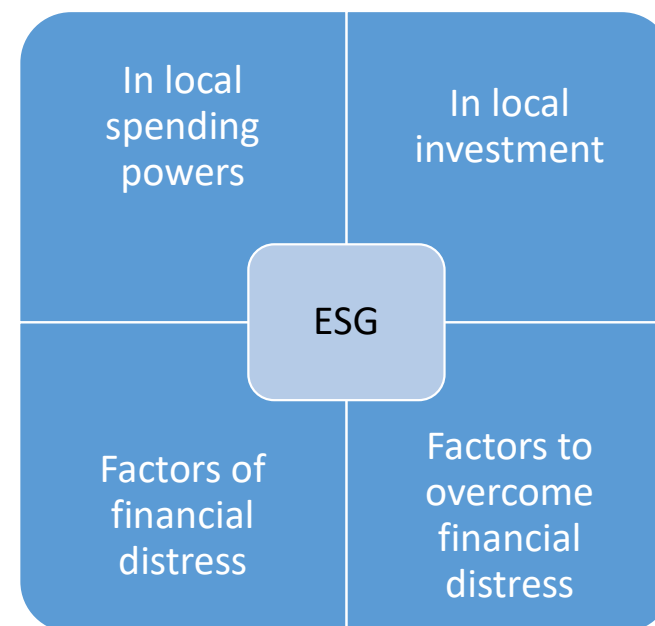
EU Taxonomy – Regulation 2024/3005 of 27 November 2024 on the transparency and integrity of ESG rating activities

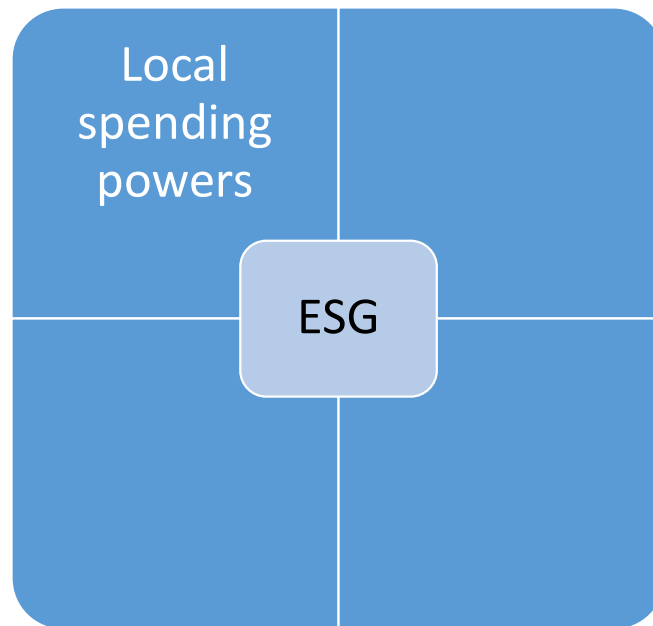
USA Asset financialisation

Municipal bonds – ESG ratings

England UK Taxonomy (consultation end 2025)

Green Gilt, ESG as a methodology



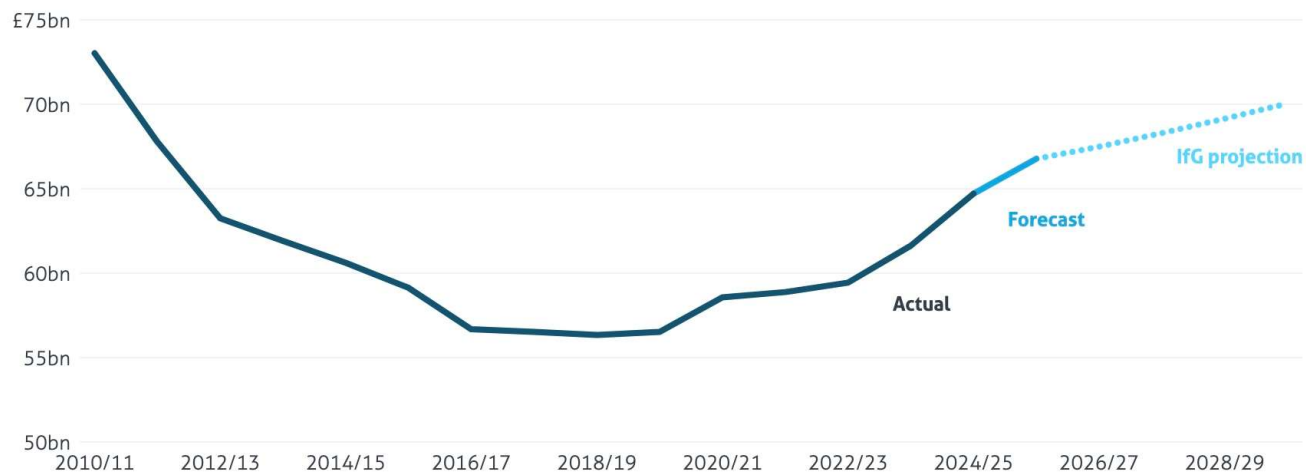


- Past experience of speculation
- Economic, social and environment well-being powers -> *Localism Act* 2011
- Statutory, mandatory and discretionary powers
- *Public Service (Social Value) Act* 2013
- Financial settlement negotiated between the HM Treasury and Departments based on the “need to spend” (until 2013)
- Auditing (constant changes since 2010, much delay)

Local authority core spending power, actual and forecast, 2010/11–2029/30 (2024/25 prices)



IfG



Source: Institute for Government analysis of DCLG/DLUHC/MHCLG, 'Core spending power supporting information', 2010/11–2024/25 and HMT, *Autumn Budget 2024*, 2024. • Notes: Core spending power (CSP) before 2015/16 is calculated by applying the annual change in revenue spending power to the following year's CSP total to create a time series. Dotted lines show CSP as projected by the IfG - see Methodology for more information. • [Get the data](#) • [Embed](#) • [Download image](#)

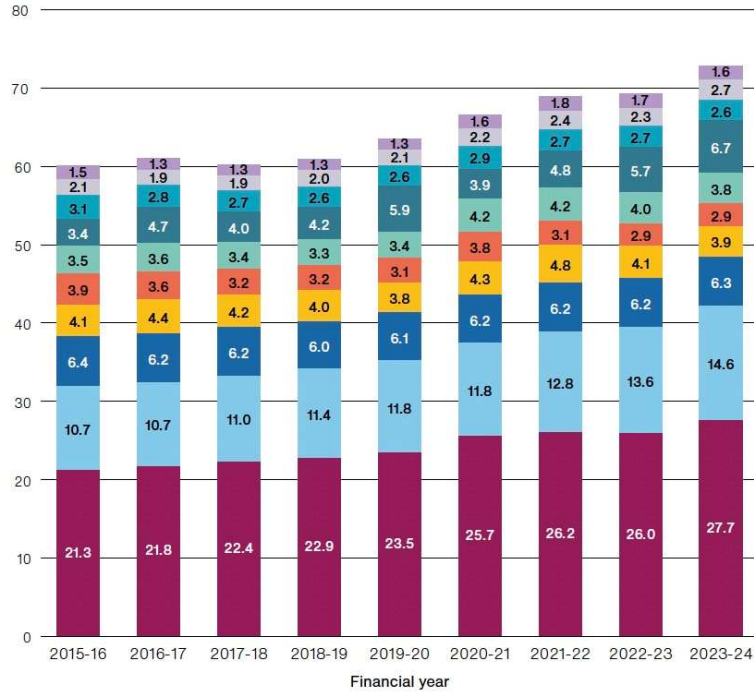


Figure 1

Real terms revenue service expenditure by English local authorities, net of sales, fees and charges, 2015-16 to 2023-24 (2023-24 prices)

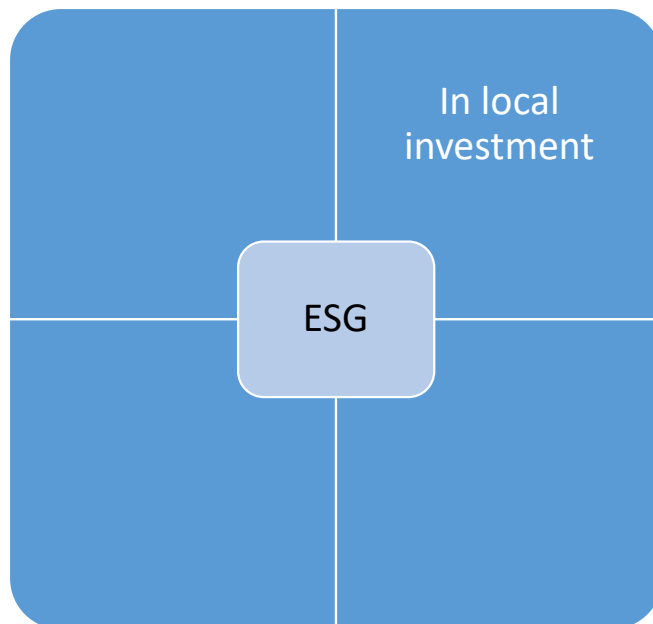
Social care expenditure accounted for 58% of local authority revenue spending in 2023-24

£ billion



- Adult social care
- Children's social care
- Environmental and regulatory services
- Public health
- Highways and transport services
- Central services
- Education services
- Cultural and related services
- Housing services (General Fund Revenue Account only)
- Planning and development services

Source: NAO 2025





Pensions?



98 Local Pension Boards



[Section 5 of the Public Service Pensions Act 2013](#) and regulation 106 of the LGPS Regulations 2013



Consultation for a review in the investment strategy

Income during 2023-24	£ 000
Contributions - employees	3,048,767
Contributions - employers	10,523,090
Investment income	5,910,473
Transfer values	1,130,408
Other income	58,911
Total	20,671,649

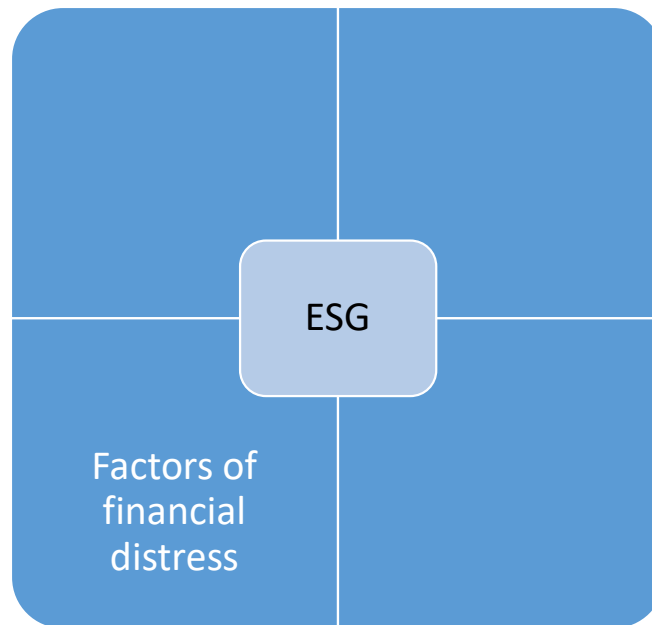
- 300 local government have declared climate emergency
- [Climate Change Act 2008](#) (2019: 80 % ->100 %)
- Net Zero Target in 2050 (par rapport à 1990)
- No statutory duty for local government to develop reduction plan
- No local carbon budget
- In practice
 - Central local government – eg Local Net Zero Accelerator pilots
 - Private funding (organised through public private collaboration) – eg Bristol City Leap Community Energy Fund



England

ESG / local investments in England

- *CIPFA 2021 The Prudential Code for Capital Finance in Local Authorities - Consultation responses and proposed changes = no to sustainability*
- *Public Works Loan Board (HM Treasury) - Guidance 2022 – borrowing to invest IF (1) Security; (2) Liquidity ; (3) Yield*
- Key – preventing speculation; looking at addressing market failures
- **Environmental** – energy generation project (even outside the local government area); jointly invests in hydrogen production for vehicles with a private company.
- **Social** – housing, protecting jobs or preventing social decline
- **Governance** – investments through third party (joint ventures, local owned entity)
- *Fineline - eg costs of climate change can fall within "service delivery" but only if the relevant asset is used for policy purposes ; regeneration projects can fall within the E and the S*



Financial distress?

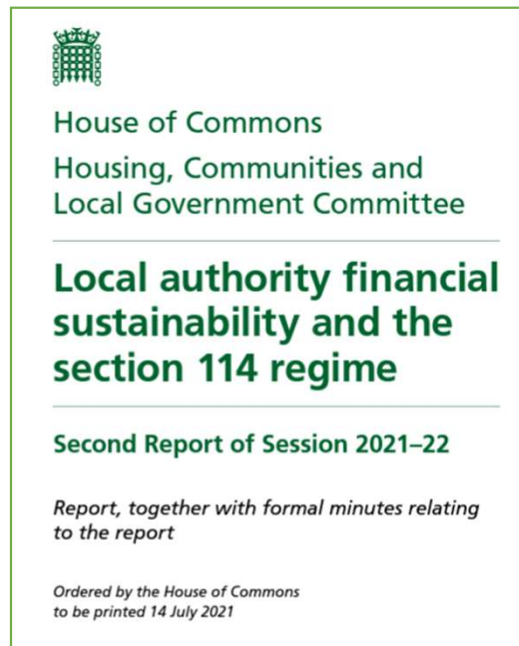
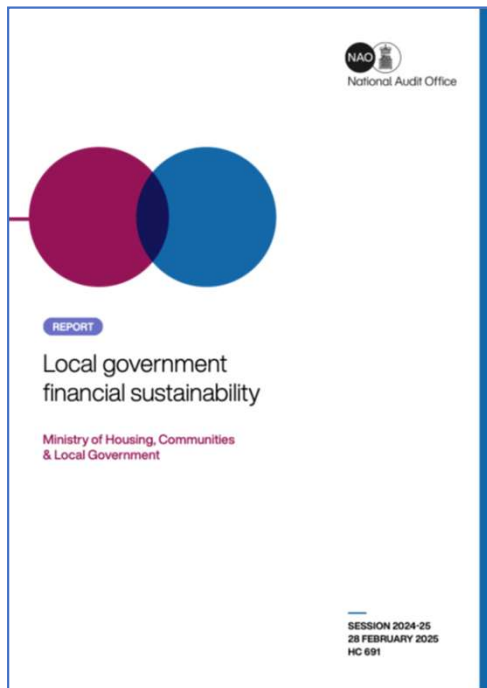
Balanced budgets, or CFO will issue a “s.114 notice” (LGFA 1988, s.114(3))

21-day consideration period (see Pt A1 moratorium)

Restructuring plan and/or new commissioner

Local authority	Date of section 114 notice
Nottingham City Council (2nd notice)	29/11/23
Birmingham City Council	5/9/23
Woking Council	7/6/23
Thurrock Borough Council	18/12/22
Croydon Borough Council (3rd notice)	22/11/22
Northumberland Council	23/5/22
Nottingham City Council	15/12/21
Croydon Borough Council (2nd notice)	2/12/21
Slough Borough Council	2/7/21
Croydon Borough Council	11/11/20
Northamptonshire County Council (2nd notice)	24/7/18
Northamptonshire County Council	2/2/18





ENVIRONMENTAL CONSIDERATIONS:

no specific factor, though some LA had to find solutions for high exposure to floodings
Statutory vs discretionary services (park)

SOCIAL CONSIDERATIONS:

Birmingham – equal pay dispute
Staff and fixed cost reduction strategies, but no preferential treatment for employees

GOVERNANCE CONSIDERATIONS:

no "yellow card" measures
barriers to early detection of crisis and to timely intervention punitive approach and egregious governance failures

S114 notices will be handed out like 'confetti' as legislation is failing councils

BY AYSHA GILMORE IN 151 NEWS · FUNDING · RESOURCES — 11 MAR, 2025

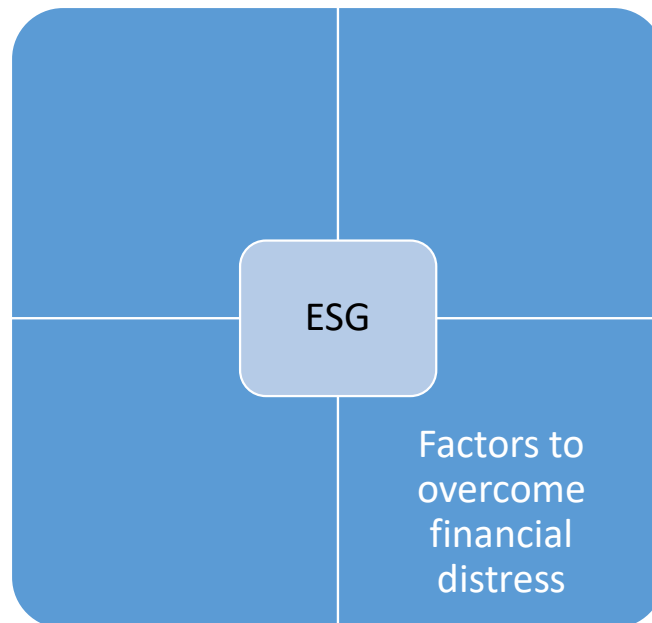


Sector representatives have told the government that section 114 legislation is not "fit for purpose" to make councils financially sustainable, as many face the prospect of issuing a s114 notice with high needs deficits looming.

At a Housing, Communities and Local Government (HCLG) committee meeting today (11 March), Bill Revans, leader of Somerset Council, warned that "many councils will be issuing section 114 notices like confetti" once the Dedicated Schools Grant (DSG) statutory override ends in March 2026.

"Once the override expires, 26 out of 36 county or rural authorities would be at risk of a section 114 notice before 2027, while 18 authorities would be insolvent literally overnight in March 2026," Barry Lewis, County Councils Network (CCN) spokesperson for finance and leader of Derbyshire County Council, told HCLG committee members.





Concrete examples

- From the top – National Wealth Bank
- From the bottom – Place-based net zero projects; new waves of public private partnerships
 - Exeter Liveable city (with UK Shared Prosperity Fund 2022-25 – successor of the EU structural fund)
 - Low Emission Zones and Clean Air Emission Zones
- UK Cities Climate Investment Commission (alliance of key cities - Belfast, Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield.)

Reforms of local government

- Reorganisation
 - 2024 *English Devolution White Paper*
 - Minimum population of 500.000 inhab.
 - Realign public authority boundaries (police, probation, fire and health services)
 - Mayor's overall oversight
 - Questions: economies of scale? Transparency of local governance? Problems of debts?
- Funding
 - Consultation seeking views on the approach to local authority funding reform through the local government finance settlement from 2026-27
 - Link between “funding” and “needs”
 - Integrated settlement

Reflections for Belgium
(Wallonia and Brussels)



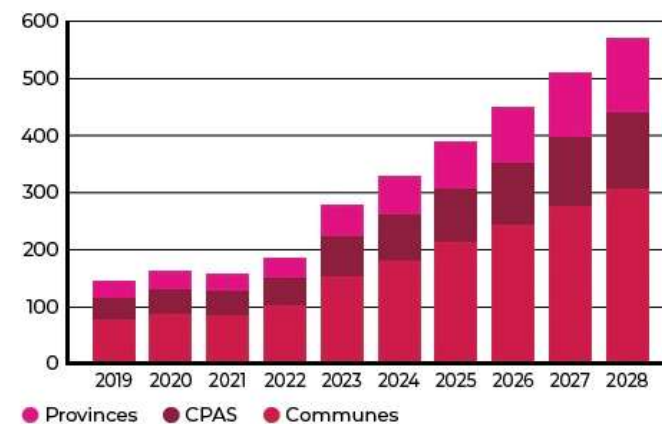
Legally different; key financial differences; yet common challenges

- Local finances and territorial organization
 - Local reserves,
 - Municipal borrowing,
 - Local pensions

- Financial difficulties
 - Audit and local standards?
 - Need assessment
 - (yellow card; red card)
 - Remediation Plan
 - Management Plan

- ESG as a methodology ?
 - Local government as an economic actor (Procurement and sustainable development)
 - Local government as a financial client

Projection de la cotisation de responsabilisation des pouvoirs locaux wallons – 2019-2028
(en millions d'EUR)



Source: sur base des projections du Service fédéral des Pensions.

Source: Belfius

ESG, Law and local finances

- ESG : three distinct components, potentially interacting differently with local finances
- Law : legal reforms could include more systematically the three components and their interactions (eg need assessment, more proactive detection of problems, prioritization etc.)
- Local finances should not be neglected – local services are frontline services shaping our day-to-day environment; proportionality resources/competences (article 9 European Charter on Local Self-Government)

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