**AIReF Local Government Monitor Update**

# JAÉN, JEREZ DE LA FRONTERA AND PARLA, THE LOCAL GOVERNMENTS WITH THE HIGHEST SUSTAINABILITY RISK

- **AIReF has created a new sustainability module in the Monitor where the level of risk of Local Governments with problems and their ability to return to a sustainable situation can be viewed**

**The Independent Authority for Fiscal Responsibility (AIReF) has expanded its Local Government Monitor (LGs) with a new sustainability analysis module that makes it possible to assess the level of risk of each of the Local Governments with more than 20,000 inhabitants and the capacity to return to a sustainable situation of those with the most significant problems. The tool shows that Jaén, Jerez de la Frontera and Parla are the Local Governments with the highest sustainability risk, as they are at a "critical" level where a return to a sustainable situation is impossible.**

The tool includes data from Local Governments with a population of over 20,000 inhabitants, Provincial Councils and Chartered Councils, as well as Island Councils.

This module offers two navigation options to the user:

In the first window, called "selection indicators for entities at risk", all the entities are displayed sorted according to the main indicators that AIReF considers most important for analysing their level of risk: financial debt over current revenue, average supplier payment period, cash surplus over current revenue, time to return to a sustainable financial debt level, time to return to a sustainable net financial position and non-financial balance over current revenue. These indicators are applied to the latest historical data published by the Ministry of Finance (MINHAC). For each indicator, thresholds are established that allow different risk situations to be rated. The position in the ranking of each entity is determined according to the anchor variable of the debt-to-income ratio (the main indicator of financial sustainability) and, in addition, according to the situation of the rest of the selection indicators.

The tool shows all the entities according to their sustainability position and the level of risk for each entity in each indicator based on a traffic light where red shows high risk, yellow shows not high risk and green means that the entity has no risk in that indicator. On the initial screen, the entities appear in order of highest to lowest risk in the indicators. However, the user can filter the search by indicator, population size, Autonomous Region or Local Government. In addition, the tool offers the possibility of making multiple selections, thus allowing the user to compare the situation of different entities simply.

The second access window to the new module, called "risk analysis", develops this area by incorporating future forecasts and a qualitative analysis of medium-term variables into the historical data of the Local Governments with the highest risks in the previous window. This makes it possible to show the average capacity of these LGs to return to a sustainable situation and thus draw up a ranking of the LGs that are worst positioned

according to the data available as of the date of the latest report. AIReF identifies five main groups:

- Critical situation: no return to a sustainable situation is deemed possible;
- Very high risk: possible return in a period of between 40 and 100 years;
- High risk: possible return in a period of between 20 and 40 years;
- Moderate risk: possible return in a period of between 10 and 20 years;
- Low risk: possible return in a period equal to or less than 10 years.

According to the analysis, Jaén, Jerez de la Frontera and Parla are at a "critical" risk level, followed by Algeciras, Los Barrios and Navalcarnero, with a "very high" risk level. Another six entities at a "high" risk level are: Alcorcón, Arcos de la Frontera, Barbate, Gandía, Los Palacios y Villafranca and Totana.

As in the other two modules, this module of AIReF's LG Monitor includes data from the information published by the MINHAC, the Bank of Spain, and the National Statistics Institute (INE). The initial screen also shows the module's version and the latest update date. AIReF will periodically update this module.