

## Chapter 2

# Sustainability Management and Local Governments: A Proposal to Define the Role of Financial Sustainability

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### **ABSTRACT**

*After highlighting the breadth and complexity of the concept of sustainability and highlighting the role of local authorities in sustainable development, this chapter aims to interpret how sustainability management can consider the concept of financial sustainability in the context of local governments. It does this through the following specific objectives: 1) defining financial sustainability, considering it not only autonomously, but in an integrated manner with respect to the typical sustainability dimensions (environmental, social, and economic) that are usually involved in the local authorities activity; 2) proposing the main stages of the sustainability cycle in the local authorities to highlight the key moments and the role of financial sustainability; 3) analyzing some aspects of financial indicators as tools for measuring the financial side of the sustainability profile of a local government. In order to reach the aim of the chapter, the research methodology followed is the literature review.*

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## INTRODUCTION

The main dimensions that make up the concept of sustainability (Agenda 21) are traditionally three: environmental, social and economic. These highlight the variety and complexity of the issues underlying the concept of sustainability and, at the same time, they highlight the indispensable role of local governments in achieving sustainable development. In fact, local authorities govern the territory and they are the closest institutions to citizens and to economic and social organizations. Therefore, they are institutionally entrusted with an active role in spreading the culture of sustainability and in implementing it.

Using the methodology of literature review (*Research Methodology*), highlighting the breadth and complexity of the concept of sustainability and considering the role of local authorities in sustainable development (*Sustainability and Local Governments*), the aim of this chapter is to interpret how sustainability management can consider the concept of financial sustainability (as a fourth dimension of sustainability along with the three traditional ones) in the context of Local Governments.

In order to explore the concept of financial sustainability in terms of definition, role during the sustainability cycle and tools for the financial sustainability measurement, the above-mentioned general aim of the chapter can be achieved through the following specific objectives:

1. Defining financial sustainability (*Financial Sustainability as Part of Each Traditional Sustainability Tradition*), considering it not only autonomously, but in an integrated manner with respect to environmental, social and economic objectives that are typical of the concept of sustainability and that are typical of local authorities' activity. Therefore, financial sustainability is considered a transversal dimension of the other dimensions of sustainability;
2. Proposing the main stages of the sustainability cycle in the local authorities in order to highlight, within this cycle, the key moments and the role of financial sustainability (*Proposal of a Sustainable Cycle and the Importance of the Financial Sustainability*);
3. Analyzing some aspects of financial indicators as tools for measuring the financial side of the sustainability profile of a local government (*The Role and Transversality of Financial Sustainability Indicators*).

Therefore, *Sustainability and Local Governments* analyzes the concept of sustainability and the role of local government in sustainable development (to highlight the complexity of the concept of sustainability and the role of local authorities in sustainable development), while *Financial Sustainability as Part of Each Traditional*

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