



PRESS RELEASE

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PUBLIC FINANCES AND ACCOUNTS

LOCAL GOVERNMENTS FINANCES

The Cour des comptes has published its fifth annual report on the financial position and management of regional authorities. This report, intended for the Parliament and the Government, is produced jointly with the regional courts of audit. Just like the central government and the social security institutions, the local public administrations, which represent 18% of public expenditures, have to comply with France's European commitments to improve the country's public accounts. In 2016, their expenditures decreased by 1.1% while their revenues rose by 0.2%. For the second year in a row, they generated a financial surplus, which reached EUR 4.2 billion after EUR 1.1 billion in 2015. This reflects an improvement in their financial position.

Change in the financial position of the local authorities

Even though their general operating grants declined for the third year in a row and are down 20% since 2013, the financial position of the three categories of local authorities improved sharply in fiscal 2016, with gross savings either stabilising or improving. The management efforts observed have helped to slow (municipal clusters), stabilise (*départements*) or reduce (regions) their operating expenses. Their financial position remains nonetheless precarious and quite disparate even within each category of local authority. In 2017, despite a further decline in the general operating grant, the financial constraints on the local authorities are less severe, due mainly to strong tax revenues and notwithstanding a larger impact from new standards (at least EUR 1 billion) compared to 2016.

The still recent move to control local public finances should be continued and expanded. This goal can be achieved through a trio of actions affecting the institutional organisation of local authorities, their management and their relationship with the central government.

The reliability of local public accounts

The quality of the public accounts is a constitutional requirement for the local authorities. This is a particular point of concern for the regional and territorial courts during their audits. If the accounts are not true and fair and the assets and liabilities are not fairly presented, it is difficult to assess the management performance. The report cites some possible improvements in this area. It also provides details on the status of the experiment with regard to the certification of the local public accounts, for which the Cour des comptes is responsible from 2017 to 2022.



Status of the territorial reform

The report gives a first glimpse at the implementation of the territorial reform resulting from several legislative texts, including the MAPTAM law (*modernisation de l'action publique territoriale et d'affirmation des métropoles/modernisation of regional public action and establishment of metropolitan areas*) of January 2014 and the NOTRé law (*nouvelle organisation territoriale de la République/new territorial organisation of the Republic*) of August 2015. The number of regions has been reduced, major cities have been assigned a new status and the map of the intermunicipal groupings has been significantly streamlined. However, contrary to the initial ambition, this reform has not simplified the local institutional architecture. No level of administration has been eliminated. The tangle of local jurisdictions remains a reality even though the general jurisdiction clause has been withdrawn from the *départements* and regions. While the many administrative tasks initiated as part of the territorial reform are still underway in the local authorities, the Cour des comptes will remain alert to the risk of possible additional expenses associated with a merger (intermunicipalities, regions).

The financial position of the authorities of the overseas *départements*

Overall, the financial position of the authorities of Réunion, French Guiana, Guadeloupe and Martinique has deteriorated significantly. These authorities nevertheless have a high level of resources through the collection of overseas-specific local indirect taxes, despite the low revenue from local direct taxes due to the incomplete inventory of the land registry databases. The result is a strong tendency for local public expenditures, in particular on staff, with notably a workforce of local government civil servants that far exceeds the need.

The serious financial difficulties faced by local authorities affect the quality of management of the public services for which they are responsible. Waste management and sanitation, as well as water services, are one example. The Cour des comptes' recommendations aim to inspire a greater management effort by the local authorities, in return for more support from the central government.

The impact of social expenditure on the financial balance of the *départements*

The social expenditure of the *départements* (active solidarity income or RSA, assistance for the elderly and disabled, child welfare), totalling EUR 32 billion in 2016, represents more than half of their operating budgets. The sharp growth in social expenditure, half of which was due to the RSA, was the primary factor in the deterioration in the *départements*' financial positions before 2016.

Based on best practices identified by the regional courts of audit, the report shows that the *départements* have levers they could use to an even greater extent to better control their social expenditure. First, they have decision-making power to, for example, define assistance plans for the elderly and disabled, and regulate the rates and supply and choose the types of residential facilities. Second, the *départements* have some leeway to manage their social services, by adjusting their workforce and territorial organisation, and by developing controls related to the delivery of various services.

In the medium term, the *départements*' social expenditure can be funded by broadening these management efforts and better allocating resources among the different *départements*, which are currently very inequitably exposed to the budgetary impact of social expenditure. In addition, as these expenditures are likely to continue to increase at a faster pace than the *départements*' operating revenues, their funding will inevitably have to be reformed. In particular, this could be achieved by recentralising the RSA funding.



Recommendations

The Cour des comptes has made 17 recommendations to the central government and the regional authorities.

[Read the report](#)

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