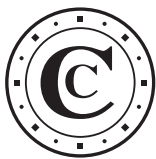


Cour des comptes



Chambres régionales  
& territoriales des comptes

# 2018 ANNUAL PUBLIC REPORT

Observations

Summaries

## FOREWORD

These summaries were drawn up for easier reading and understanding of the report produced by the Cour des comptes.

The Cour des comptes is bound only by the report.

Responses from the administrations, agencies, and authorities concerned appear after the report.

The order of the executive summaries corresponds to their order in the report.

# Introduction

Made public for the first time in 1832, the annual report of the Cour des comptes is an ideal way to inform the public of the work of the Cour des comptes and the regional and territorial courts of audit as well as the lessons to be learned. In 2018, it covers a very wide field of public action and its players to identify progress and successes. It highlights the risks to be controlled in order to enhance its effectiveness and efficiency.

The 2018 annual public report is divided into three volumes:

- volume I sets out the observations and recommendations resulting from a selection of controls and investigations conducted in 2017 by the Cour des comptes and the regional and territorial courts of audit;
- volume II presents the follow-up given by the administrations, authorities, and other audited agencies to the observations and recommendations made in previous years by the Cour des comptes and the regional and territorial courts of audit;
- volume III presents the organisation and missions of the financial courts.

The annual report of the Budgetary and Financial Discipline Court is appended to these three volumes.

This booklet contains the executive summaries of the 15 chapters contained in Volume I “Observations”.

These 15 texts are grouped by theme:

- chapter I: public finances (3);
- chapter II: public policies (4);
- chapter III: public property management (4)
- chapter IV: territories (4).





# Summary

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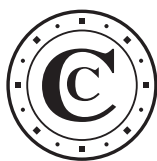
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# Chapter I

## Public Finances

1. Overall public finance situation (at end-January 2018)
2. Tax forgiveness and deals: need to better ensure equal treatment and transparency
3. Bringing local government authorities out of high-risk loans: a successful exercise, but a high cost for public finances





# 1 Overall public finance situation (at end-January 2018)

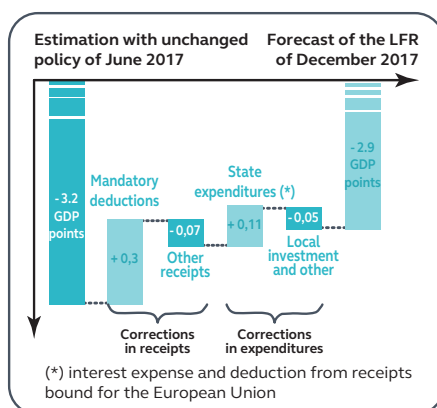
**In 2017, a possible return of deficit below 3 GDP percentage points thanks to significant revenue gains**

In 2017, according to the government's latest forecast, the public deficit would fall below 3 GDP percentage points to 2.9. This estimated fall below 3 GDP percentage points is not yet certain. While the interim results of the central government's budget implementation are better than anticipated by the end-2017 supplementary finance act (LFR), unusually high uncertainties are affecting the national accounting treatments that will be applied to the central government's data, particularly with regard to the cost of Areva's additional capital and the dispute over the 3% tax on dividends.

In any case, this forecast marks a deterioration compared with the initial finance act for 2017 (2.7 GDP percentage points), but an improvement compared with the estimate resulting from the audit by the Cour des comptes in June 2017 (3.2 GDP percentage points). The improvement of the economic situation and, to a lesser extent, the measures to curb spending taken in summer 2017, as well as a further decrease in the interest expenses and the levy on receipts going to the

European Union, should have largely offset the significant underestimation of expenditure, particularly of the central government, revealed by the audit (see chart below).

**Estimated public deficit in 2017 in the year-end supplementary finance act  
(in GDP percentage points)**



Source: Cour des comptes

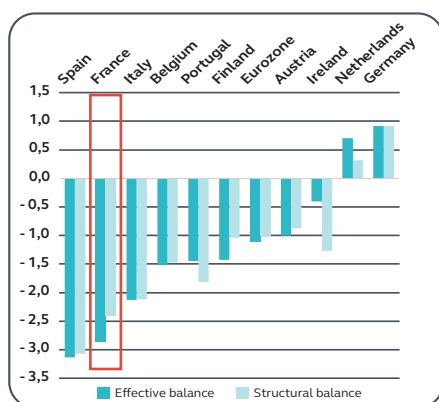
However, the measures taken to curb spending taken during the summer by the government, even though they prevented a further escalation of public expenditures, failed to stop expenditures from increasing by nearly 1%, at the average pace of the past five years.

France thus continues to present a much worse situation than almost all of its eurozone partners. France's

# Overall public finance situation (at end-January 2018)

public deficit remains much higher than the entire eurozone, which was 1.2 GDP percentage points in 2017. The actual deficit and the structural deficit (i.e., adjusted for business cycle effects) were greater than those of all of its eurozone partners, with the exception of Spain (see chart below).

## Projected government budget balances in 2017 in the eurozone (in GDP percentage points)

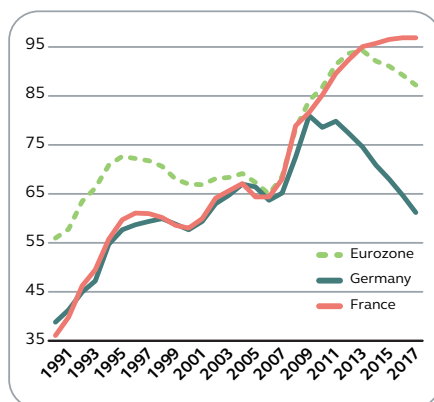


Source: Autumn 2017 forecast of the European Commission (AMECO)

## In 2018, a very slightly lower public deficit target

In 2018, the government foresees a very small reduction (0.1 GDP percentage points) in both the actual deficit and the structural deficit. The public deficit should be 2.8 GDP percentage points. As has been the case on several occasions in the past, the public authorities are taking advantage of the improving economic situation to lower mandatory levies and improve the public deficit only modestly. The result should be a further rise in public debt relative to GDP, while the downward trend in the public debt to GDP ratio is already well under way in the eurozone (see chart below).

## Public debt in France, Germany, and the eurozone (as % of GDP)



Source: Cour des comptes according to the European Commission (AMECO)

The margins to keep the public deficit below 3 GDP percentage points and to cope with an unfavourable cyclical shock remain low in 2018.

Yet, reducing the deficit presupposes a slowdown in public expenditures that is not guaranteed. In particular, the local government authorities' expenditures forecast presupposes a decrease in the volume of their operating expenditure, even though the pressure put on them by the decline in financial assistance from the central government will have disappeared.

## Medium-term trajectory: a late recovery relying on fragile instruments

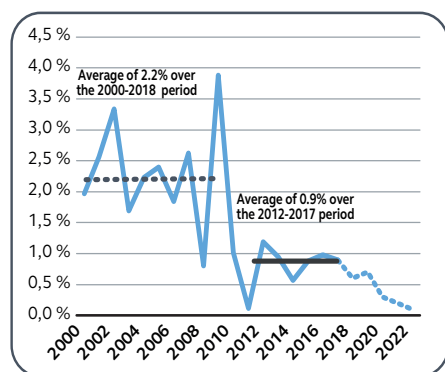
Beyond 2018, the public finance programming bill presents a trajectory of significant public deficit reduction over 5 years, amounting to 0.3 GDP percentage points in 2022.

# Overall public finance situation (at end-January 2018)

However, the projected deficit remains very close to 3 GDP percentage points until 2019, and its reduction is not expected to begin until 2020. This is further facilitated by the assumption of maintaining sustained growth, consistently higher than potential growth, whereas a cautious assumption, mechanically resulting in a higher deficit at the end of the period, would consist in aligning actual growth with potential growth starting in 2020. Without this projected additional growth relative to potential growth, the public deficit would still be 0.8 GDP percentage points in 2022.

Nevertheless, the programming bill aims to reduce the rate of growth of public expenditures gradually (see graph below). However, this would neither reduce the structural deficit to the level that would mean compliance with France's European commitments nor reduce the structural balance to the medium-term target (a structural deficit not exceeding 0.4 GDP percentage points), within the timeframe of the programming law.

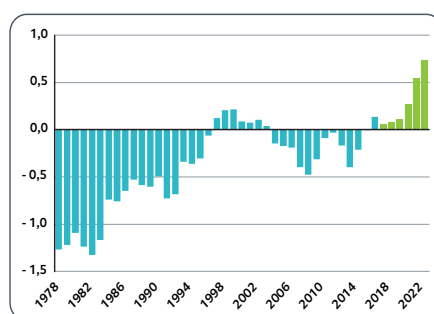
## Growth of public expenditures in volume



Source: *Cour des comptes*, based on data from INSEE and the public financing programming bill

In addition, achieving the targeted reduction in public deficits requires, for the central government, the implementation of spending reforms yet to be defined and, for local government authorities, the unlikely realisation of increasingly high surpluses (see graph below), which are supposed to result from the establishment of a new contractualisation system with the largest of them.

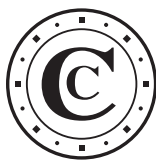
## Balances of local public bodies (in GDP percentage points)



Source: INSEE for 1978 to 2016, then public finance programming bill over 2017 to 2022

The observed improvement in the economic situation is helping to reduce public deficits in the short term and may seem, incorrectly, to ease the constraint on our public finances. The need to restore long-term sustainability of France's public finances is no less urgent.

However, as the *Cour des comptes* has regularly pointed out, our country is characterised by a high level of public expenditures, significantly higher than its main partners, where the results do not justify the expenditures made. The identification of significant margins of efficiency revealed by this comparison and the implementation of reforms enabling them to be exploited must therefore be done right now.



## 2 Tax forgiveness and deals: need to better ensure equal treatment and transparency

Tax forgiveness and deals are components of the “relief power” of the tax authorities in implementing and collecting tax and lead to reductions or even a write-off of taxes (duties and penalties for forgiveness, penalties only for deals).

The Cour des comptes examined the implementation of these two tools by the French directorate general of public finance (DGFIP) of the ministry of public action and accounts.

### Useful tools for tax management

The law provides for, under certain conditions, the possibility for the tax authorities to grant tax forgiveness or deals on tax penalties. Tax forgiveness may also pertain to duties when it comes to direct taxes. This legal framework is characterised by its stability: the provisions of Article L. 247 of the French tax procedures manual (LPF) are derived from a legislative framework defined in 1963.

Within the DGFIP, these two instruments are implemented at both the central and decentralised levels. An advisory committee, the French judicial committee for tax, customs, and exchange matters (CCFDC), issues an opinion on the largest cases (threshold of €200,000).

Tax forgiveness and deals have common goals. They allow the tax authorities to take specific situations into account. Their ability to adjust penalties can contribute to the tax payer’s willingness to pay. Lastly, they facilitate collection by reducing disputes, in the particular case of deals.

### A volume of more than one million tax forgiveness requests

According to the available data provided by the DGFIP, tax forgiveness requests fluctuated around an average of 1 million over the 2011-2016 period. The fluctuations particularly related to the use of this tool for collective actions, in case of agricultural crises, for example. Between 2011 and 2016, the tax forgiveness request rejection rate varied between 37% and 44%. On average, 87% of the requests pertained to individuals, and among these, 36% pertained to the residence tax alone.

Amounting to 6,000 per year in 2011-2012, the number of tax deals dropped to between 3,000 and 4,000 per year in the recent period. Tax deals, which follow a tax audit, concern companies as well as individuals who have significant income and/or wealth. They almost exclusively involve central government taxes.



# Tax forgiveness and deals: need to better ensure equal treatment and transparency

In 2015, the average amount of tax forgiveness granted was €622. In the case of tax deals, the granted amount averaged €38,000. The average budgetary cost caused by tax forgiveness and deals over the 2011-2016 period was €526 million.

## Practices that deviate from the legal framework in some cases

The investigation by the Cour des comptes highlighted the existence of differences between the practices and the legal framework applicable to tax forgiveness and deals. These differences must be corrected. Two provisions of Article L. 247 of the LPF or related to its regulatory implementation, clearly unsuitable<sup>1</sup>, should thus be reviewed.

In addition, the general solution, a practice that make it possible to reach an agreement between the authorities and the taxpayer on the amount of taxes and penalties due in connection with a tax audit, has no legal basis. Without calling its interest into question, the Cour des comptes considers it essential to remedy this lack of legal basis.

## Shortcomings in monitoring and control

On the other hand, the margin of discretion that the authorities have in implementing the tax presupposes internal control mechanisms and faultless reporting, particularly to ensure the uniformity of practices

across the entire territory. In this respect, the investigation by the Cour des comptes revealed significant deficiencies in monitoring, which makes it impossible to ensure equal treatment or to guarantee transparency. The Cour des comptes highlighted differences in treatment in the tax forgiveness policy between départements.

Both the DGFIP and the general directorate of customs and excise (DGDDI) have old, scattered computing tools for tracking tax forgiveness and deals, which does not allow them to ensure accurate, reliable reporting.

In addition, these deficiencies do not allow the tax offices to control the practice of forgiveness between local tax offices. The DGFIP does not have the means to account for differences found between départements and between personal tax offices within the same territory or to analyse them, citing difficulties related to computer applications. The Cour des comptes is not in favour of introducing a binding scale, which would be similar to opening up a “right to tax forgiveness”. However, the trade-off for the tax authorities’ discretion is the obligation to report on, explain, and establish policies aimed at preventing and correcting differences in practices between tax offices.

These same shortcomings lead to non-uniform practices in the reduction of penalties when entering into tax deals.

<sup>1</sup> Ban on tax forgiveness on non-final tax assessments and requirement of prior opinion from the mayor on tax forgiveness requests for local taxes.

# Tax forgiveness and deals: need to better ensure equal treatment and transparency

## Transparency to be guaranteed

Since the adoption of the law on combating tax evasion and major economic and financial crime of 6 December 2013, the minister for the budget must publish a report every year on the application of the policy on forgiveness and deals by the tax authorities.

It was only on the occasion of the investigation by the Cour des comptes that this report was submitted for the first time on 14 April 2017, but the DGDDI has not yet participated in this exercise, which should be joined to the two administrations of the ministry in the future. The reliability of the information in the report must be improved.

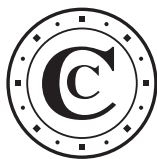
## Recommendations

### **Cour des comptes makes the following recommendations:**

1. amend the provisions of Article L. 247 (second paragraph) of the LPF in order to specify the conditions under which tax forgiveness can be granted when the tax assessment is not final and repeal the last paragraph of Article R. 247-2 of the tax procedures manual;
2. define a legal framework applicable to the overall resolution mechanism and ensure specific monitoring;
3. improve, in accordance with a specific three-year action plan, within the DGFIP and the DGDDI, the quality and reliability of the

computerised reports on tax forgiveness and deals;

4. put in place, both in the local offices of the central government and the DGFIP, internal control mechanisms to measure and analyse differences found with regard to tax forgiveness and deals for control and harmonisation purposes;
5. append to the finance bill the annual report to Parliament on the application of the policy on tax forgiveness and deals by the tax authorities, including data from both the DGFIP and the DGDDI and, in the medium term, address the current serious deficiencies.



# 3 Bringing local government authorities out of high-risk loans: a successful exercise, but a high cost for public finances

In 2018, the Cour des comptes wished to prepare an assessment of the extinguishing of high-risk structured loans held by local government authorities, which were particularly serious in their growth and their consequences on local finances. At the end of the 2000s, the high-risk outstanding debt of these loans was estimated at around 10 billion euros.

## A major crisis that has worsened since the late 2000s

In the course of its work on the subject, the Cour des comptes highlighted the combination of responsibilities that led to the high-risk borrowing crisis: local government authorities that exercised their power to borrow freely in the name of the principle of free administration and local council chairmen who took undue risks for short-term benefits without properly informing their deliberative body; the banks, and in particular Dexia, that designed these structured products and encouraged clients to obtain them, particularly with small cities; and the central government, which did not measure the risks incurred when these new loans emerged and did not put in place, in due time, the legal and accounting mechanisms that would have prevented them from spreading.

It was not until 2012 that the central government took a series of financial measures with an initial aid fund of €50 million. The situation was changed by a decision of the Nanterre district court in February 2013 in favour of the government authorities that had brought disputes against the banks. This led to a significant risk for the public finances, as the central government was forced, in early 2013, to have the outstanding loans held by Dexia taken over by a new public entity (SFIL/CAFFIL), of which it is the principal shareholder. The potential losses on the new bank's balance sheet were very high.

It was then that the central government put in place a two-pronged response that was the subject of an accountability pact with the government authorities in July 2013. A first curative component provided for the establishment of a €1.5 billion multi-year fund to support local government authorities. This amount was increased to €3 billion over 15 years following the de-indexation of the Swiss franc in January 2015, which caused an explosion in the rates of contracts indexed to euro/Swiss franc parity. A second preventative component strictly regulated, for the future, through the law of 26 July 2013 on the separation and regulation of banking activities, the conditions for government authorities in taking out "structured" loans.

# Bringing local government authorities out of high-risk loans: a successful exercise, but a high cost for public finances

In exchange for its financial assistance, the central government sought to ward off the consequences on public finances of litigation in favour of these government authorities by passing a mechanism in 2014 for legislative approval of prior contracts so as to extinguish the grounds for litigation raised during the February 2013 proceedings.

## Operations conducted rigorously and methodically between 2015 and 2017

The support fund provided financial assistance to local government authorities to help them exit their high-risk loans, provided that they gave up any litigation. In concrete terms, it allowed these local government authorities to finance part of the prepayment penalty owed to banks when the loan agreement was terminated or, as part of the “exceptional” regime, the consequences of worsening interest rates of maintained agreements.

Between 2015 and 2017, the fund was managed by a national office – the high-risk loan exit coordination office (SPDSER) – consisting of a small operational team. This office helped to define the technical means of the support fund’s intervention, but also to restore a climate of trust between players who no longer wished to work together.

The aid doctrine put in place was transparent. SPDSER chose to objectivise its intervention means as much as possible, in particular

the granting of additional aid on a discretionary basis (up to 5%), which fostered the acceptance of this public policy by the concerned government authorities. In addition, the average aid rates by type of government authority showed that the smallest government authorities were favoured.

The government authorities agreed to participate in the scheme: out of the estimated 850 entities concerned, 676 applied for assistance. The application rate was therefore 79.5%.

## Risks now under control

As of 30 September 2017, the support fund contributed to reducing the risk of a structured debt balance of €4.7 billion, in addition to nearly €1 billion in outstanding debt eligible for the exceptional scheme. In total, the support fund enabled 70% of the estimated eligible debt (€8 billion) to be addressed. Nearly 60% of the reduced-risk outstanding debt pertained to contracts at the highest level of “toxicity”. The objective of giving priority to the riskiest loans was thus achieved, and the litigation risks are now reduced.

However, one-off situations remain concerning. The office in charge of managing the support fund estimates that a dozen government authorities are in a delicate position. Most of them are small cities that chose from the start not to request aid from the support fund.

# Bringing local government authorities out of high-risk loans: a successful exercise, but a high cost for public finances

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Lastly, the new loans used to refinance the old high-risk loans will continue to have a lasting impact on the debt and investment capacity of smaller communities over the next 15 years.

## **A high total cost for public finances**

By the time the fund was closed, the aid actually granted to local government authorities totalled approximately €2.6 billion. One-third of the financing was provided by the central government (€60 million per year over 15 years, or €900 million)

and two-thirds by banks (€112 million per year, or €1.7 billion).

This aid helped to pay off prepayment penalties totalling €4.7 billion, €2.1 billion of which (45%) remain the responsibility of the local government authorities. Starting in 2013, only the local government authorities concerned were involved, as no mechanism for appealing to the solidarity of other local government authorities was established.

In total, the exit from high-risk loans cost the public finances of the central government and local government authorities €3 billion.



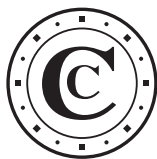
# Chapter II

## Public Policies

1. Boosting the digital modernisation of government
2. Private security activities: a growing contribution to public security, but insufficient regulation
3. Vaccination policy: a public health issue, a need for stronger trust
4. Linky smart meters: deriving all the benefits for consumers of an expensive investment







# 1 Boosting the digital modernisation of government

In 2017, the Cour des Comptes completed the audit of the inter-ministerial department for digital technology and the information and communication system of the central government (DINSIC). Since 2011, the central government has had this governance structure for its information system, which supports the ministries and guides them in a common direction.

## An organisation and strategy now placed under the authority of the prime minister

A strategy to allow the public service to take advantage of the opportunities offered by new technologies and regain control of its information system has been defined. It is based on the pooling of the central government's investments, decompartmentalisation and better processing of data, and optimisation of resources through code sharing, the opening of APIs<sup>1</sup>, and the dissemination of methods and innovations, using a "platform" approach.

This is a major issue for the central government because digital service constitutes for users the concrete translation of the expression of public policy choices.

The digital revolution represents an opportunity to provide a more efficient public service, reduce costs structurally, through systematic automation of repetitive tasks and elimination of administrative procedures that have become unnecessary or redundant, and refocus public officials on high value-added tasks.

## Initiated in 2011, the approach must be pushed further

The major constraints on the administrations, slowing down this transformation, still need to be lifted: doing away with old technological choices, revisiting the massive outsourcing of this function and the resulting loss of skills, and making known the potential and the methods of the digital transformation beyond the specialised spheres. The digital revolution is not just about dematerialising existing procedures.

Although a major catch-up effort must be made, the pace of technological revolutions and the acceleration of innovation must lead to the continuous installation of this effort.

<sup>1</sup> API (*application programming interface*): a set of computer functions through which two programs interact automatically without human intervention

# Boosting the digital modernisation of government

The speed and scope of this transformation will also depend on the ability to make the necessary investments and align them methodically with this strategy.

In this regard, joint digital investments would benefit from having identified budget planning: the central

government cannot “join this century” without investing effectively. It will not be able to do so without training, recruiting, and retaining the talents that it lacks.

## Recommendations

### **The Cour des comptes gives the following guidelines:**

1. accelerate the deployment of government platform strategy, by relaying the actions of the DINSIC in other interministerial entities;
2. massively and continuously train all public officials in the necessary skills to accomplish the digital revolution (design, digital law, agile methods, computer security, protection of personal data, lean start-up, etc.).

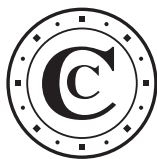
### **It makes the following recommendations:**

1. explicitly incorporate operators into the plan for securing major IT projects;
2. create a budget programme supporting cross-cutting digital and

IT spending, in order to accelerate the streamlining of the central government's information system, the deployment of government's platform infrastructure, and the development of pooling;

3. enhance the central government's attractiveness as an employer, by mobilising all levers other than just remuneration: promotion of open-source software; empowerment of teams; adaptation of the premises; career path proposals; construction of an employer image, etc.;

4. create a recruitment sector for experts in digital, IT, and cybersecurity who can be used by all administrations and benefit from common retention, skills development, and career management measures.



## 2 Private security activities: a growing contribution to public security, but insufficient regulation

The law of 12 July 1983 made private security activities a regulated profession subject to prior administrative authorisation. Private security activities include surveillance (including armed surveillance), guarding, cash transport, personal protection, private research agencies, and the protection of French-flagged vessels on behalf of a shipowner. They constitute a dynamic sector representing a public security issue, and the discussions on domestic security incorporate the increased importance of the role of private security agents in supplementing the actions of the national police and gendarmerie. The regulation of private security activities has been entrusted to the national council for private security activities (CNAPS), an administrative public institution created in 2012 responsible for enhancing the moral standards and professionalisation of this sector.

### **Private security companies, a sector characterised by structural weaknesses and uncertain service quality**

There were 10,650 private security companies in 2016<sup>1</sup>, employing 167,800 employees and generating just over €6.6 billion excluding taxes in

turnover, to which public contracting authorities contributed 26%. Marked in particular by its fragmentation (67% of private security companies had no employees in 2016), and its low profitability (around 1% margin on average), the private security sector is characterised by a particularly volatile, highly underqualified, and poorly paid labour force. The level of services provided by private security companies is highly mixed, raising the question of the reliability of a sector whose limits were revealed by the Euro 2016 football championship despite a successful organisation (bankruptcies of certain companies, agents without professional authorisations, or insufficient quality of pat-downs).

### **Private security companies: a player in the general security mechanism requiring an employment doctrine and rigorous control by the central government**

The workforces of private security companies represent the equivalent of more than half (55%) of those of public security forces (national police and gendarmeries forces, including reservists, municipal police, military

<sup>1</sup>Data from the annual sector survey conducted by the Institut d'informations et de conjonctures professionnelles (I+C) between April and July 2017. These figures do not include companies involved exclusively in the transport of funds and personal protection.

# Private security activities: a growing contribution to public security, but insufficient regulation

from Opération Sentinelle). The proper coordination of all these resources is an issue for the effectiveness of the security policy. Despite a restrictive legal framework (no intervention by private security agents on public roads, with some exceptions), the scope of intervention of private security companies may lead them to be associated, in certain circumstances, with the performance of public security missions, but this should be done within the framework of a vision or a clarified doctrine.

On the one hand, the central government has outsourced to private security companies missions for surveillance and static guarding of public buildings (nearly 590 FTEs were redeployed for the benefit of the national police and gendarmerie between 2007 and 2017), but the outsourcing movement was not part of a coordinated strategy and a rigorous method.

On the other hand, private security agents may be associated, in the form of a “security coproduction”, with a scheme to secure sites open to the public during sports, cultural, commercial, or recreational events. However, the development of these complementarity activities and the development of operational cooperation require the establishment by the central government of an employment doctrine for private security agents alongside the domestic security forces and rigorous management of its implementation.

## Regulation of private security activities shared between the central government and professionals

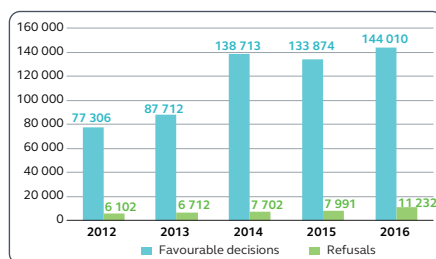
An administrative public institution under the supervision of the ministry of the interior, the CNAPS has the main mission of issuing permits and approvals as well as implementing disciplinary actions. The CNAPS’s rules of governance are not favourable to the central government, which has a minority representation on the board. Involving the representatives of private security companies in each of the decision-making bodies of the institution, the CNAPS is more like a professional order, although its missions are grandiose in nature.

## Deficient regulation

The growing association of private security companies with the general security scheme involves morality and professionalism requirements. However, the CNAPS’s results in fulfilling its mission of regulating the profession currently seem insufficient to guarantee better morality and professionalism of the sector.

The creation of the CNAPS has not resulted in an increased choice to enter

### Change in the number of favourable and refusal decisions between 2012-2016



Source: Cour des comptes according to the activity reports of the CNAPS

# Private security activities: a growing contribution to public security, but insufficient regulation

the profession (in 2016, 92.7% of the 155,000 applicants obtained a permit). The check of the moral character of applicants, which often results in issuing cards and authorisations to individuals who have criminal records relating to sometimes serious acts, seems inadequate to meet the challenge of increasing the moral standards of the sector. In addition, the procedures for issuing permits and authorisations are marked by proven risks of fraud, both internal and external, including the lack of issuance of a secure professional licence by the CNAPS.

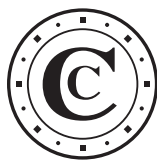
Despite a particularly dynamic activity in quantitative terms (around 1,800 checks per year), the CNAPS's disciplinary action has also failed to clean up the private security activities sector because the imposed penalties are not effective and dissuasive enough. In fact, there is little compliance with temporary bans on operating, whereas with an internal collection rate of 30%, the deterrent effect of the imposed financial penalties is very limited. In addition, significant blind spots remain, since the penalties are imposed only against companies and not against private security agents or purchasers.

## Recommendations

### **The Cour des comptes gives the following guidelines:**

1. (ministry of the interior): design, according to the texts and the case law, a doctrine for the employment of private security agents within the framework of public security schemes, applicable in particular to the organisation of sports, cultural, or recreational events;
2. (ministry of the Interior): review the composition of the CNAPS's board in order to bring it closer to the governance mechanism common to all administrative public institutions by guaranteeing an absolute majority of votes on the board for representatives of the central government;

3. (CNAPS): develop a unified doctrine subject to the approval of the board relating to the morality requirements of candidates for private security professions;
4. (CNAPS): issue authorisations to engage in a private security activity in the form of a secure professional licence;
5. (ministry of the interior, CNAPS): increase the scope and methods of checks by taking disciplinary actions against private security agents, intensifying institutional cooperation, particularly with prosecutors, and amending the regulations to open purchasers up to disciplinary procedures.



# 3 Vaccination policy: a public health issue, a need for stronger trust

In France, vaccination has significantly reduced the incidence of many infectious diseases, leading to the eradication of certain epidemic diseases such as diphtheria. While the immunisation coverage rate for mandatory vaccinations (diphtheria, tetanus, poliomyelitis) is in line with the WHO target of 95%, it is still insufficient for certain vaccinations previously recommended, such as MMR (measles/mumps/rubella) or meningococcus C. Major disparities persist, depending on the vaccine, the target populations, and the territories, with a notable north-to-south gradient. These disparities can lead to epidemic re-emergence when the threshold needed to eliminate or control a vaccine-preventable disease is not reached. Vaccination is one of the most effective public health measures, considering the cost of the diseases that it prevents.

## Vaccine hesitancy

Despite the major indisputable success of vaccination, vaccine oppositions have grown in recent years, particularly in France, a country marked by a succession of crises that have weakened the credibility of the health authorities. Vaccine opposition has been fuelled by an underestimation of the risk of infection, the perception of a risk/benefit balance reversing

as the memory of major epidemics fades away, but also a growing vaccine hesitancy, widely relayed by social networks. This hesitancy, which involves all socio-professional groups and healthcare professionals themselves, as evidenced by the low levels of vaccination against seasonal influenza, is now a major cause of the weakening of vaccine coverage, but also the consequence of a lack of responsiveness by the public authorities.

## Recent advances to be reinforced

Since the publication of the previous report by the Cour des comptes on vaccine policy in 2012, numerous reports and opinions have been published, leading to consistent conclusions on the shortcomings and problems in the vaccine policy, and have suggested ways of reforming and reinforcing it. The late mobilisation of public authorities, which is not, however, exempt from progress such as improved pharmacovigilance, has not improved the coverage rates for the recommended vaccines, in particular because of confusion between compulsory vaccinations and recommended vaccinations.

The extension of early childhood vaccination requirements to 1 January 2018, introduced by the social security

# Vaccination policy: a public health issue, a need for stronger trust

finance act, goes in the direction of a clarification, but it alone will not be enough to restore confidence and reverse the behaviour of healthcare professionals and citizens for the long term. It must be accompanied by a set of measures to explain the importance of vaccination, to facilitate its implementation, and to better control vaccine procurement processes. In particular, it requires implementing widespread use of the electronic vaccination booklet, opening up the possibility of

administering vaccinations more widely to healthcare professionals other than in medical professions (nurses, pharmacists), and actively involving school health services, as seen in other European countries. Lastly, the deployment of new modes of communication appears to be key, in keeping with the major place of new social media, so as to maintain a continuous, responsive public discourse without doubts as to its independence and scientific legitimacy.

Vaccination approval between regions



Source: Cour des comptes, according to Santé publique France, April 2017

# Vaccination policy: a public health issue, a need for stronger trust

## Recommendations

**Cour des comptes makes the following recommendations to the government:**

1. implement widespread use of the electronic vaccination record;

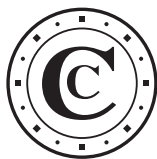
2. open up the possibility of administering vaccinations more widely to healthcare professionals other than in medical professions (nurses, pharmacists);

3. reconsider the suspension of the flu vaccination requirements for healthcare professionals;

4. actively involve school health services in vaccination and, where appropriate, permit catch-up vaccinations by healthcare professionals coming from outside the school;

5. add responsibility for ensuring the responsive presence of independent scientific information about vaccination on social networks to the missions of the national health authority.





## 4 Linky smart meters: deriving all the benefits for consumers of an expensive investment

### Helpful modernisation of electrical meters

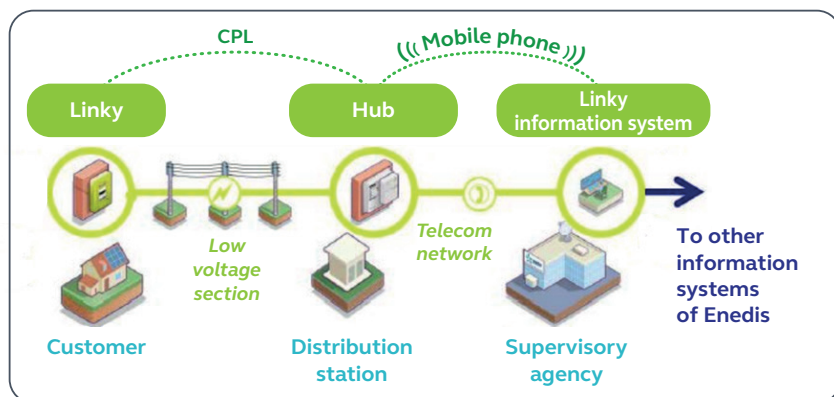
The device used to measure low-voltage power consumption for households and businesses is no longer suitable. It requires a “walk-up” and does not register consumption over enough time ranges, which limits the commercial offers of suppliers and therefore competition.

In 2014, the public authorities therefore took the decision, after an experiment with nearly 300,000 consumers, to replace the 39 million electric meters with new meters by 2024. These meters, able to

send and receive information, can be read remotely and allow consumption to be calculated over a large number of different time ranges.

Enedis (formerly ERDF, a wholly owned subsidiary of EDF) is responsible for installing the “Linky” meters for its service area, which covers 95% of consumers.

Communications are done between the meters and the hubs by the power grid (power line technology) and between the hubs and the central information system through mobile phone networks.



Source: Enedis

As of 30 September 2017, 6.3 million Linky meters were installed.

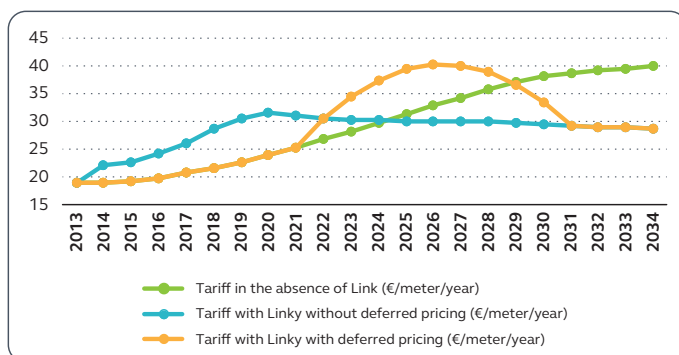
# Linky smart meters: deriving all the benefits for consumers of an expensive investment

## An expensive system for the consumer but beneficial for Enedis

This new system represents a total investment for Enedis and other distributors of nearly €5.7 billion in current euros, i.e. approx. €130 per installed meter. It is ultimately paid for by the consumer since any investment in the distribution and transmission network is taken into account in the calculation of the transmission fee included in the amount of the consumer's electricity bill.

However, if it meets the time and performance objectives, Enedis will receive, in addition to the coverage of the investment, an annual bonus of approximately 2% of the value of the assets. In addition, the billing of consumers for the additional cost resulting from the Linky investment will be deferred until the savings made possible by the new system benefit all the players. This pre-financing of the system until 2021 is also very favourable for it, because having borrowed at a low rate, it will get a margin of around €500 million on the advance payment that it made.

**Impact of deferred pricing on the average price for metering \*  
(€ per year and per meter)**



Source: data from the energy regulation commission, calculations and presentation by Cour des comptes

Note: \*Enedis remuneration, depreciation, and operation of the metering system

## Putting the consumer at the heart of the system

There has been a lot of opposition to the deployment of the new system, claiming health risks due to the emission of electromagnetic waves and risks relating to privacy protection

because of the centralisation of detailed individual consumption data. However, the competent agencies, the CNIL and the ANSES, ensure that these risks are under control. Communication on these two topics has therefore probably been insufficient.

# Linky smart meters: deriving all the benefits for consumers of an expensive investment

The goal of this system is to benefit all the players: mainly Enedis, electricity suppliers, and consumers. While the benefits are immediate for suppliers in terms of remote management, the same is not true for consumers.

The benefits that consumers will be able to derive from the new system will be the consequence of better control of their energy demand. This is made possible by more detailed knowledge of their power consumption. However, this knowledge requires either additional equipment to display their consumption on a more accessible screen than the electric meter

(remote display) or the widespread roll-out of Internet applications. The dissemination of these means is very insufficient, particularly because remote displays are systematically installed only for a limited number of users (consumers suffering from fuel poverty).

It is therefore necessary to develop energy demand management, particularly peak demand, and to allow for the development of competition between electricity suppliers so that users can take full advantage of smart meters.

## Recommendations

### **Cour des comptes makes the following recommendations and guidelines:**

1. (CRE): modify the deferred pricing scheme to reduce the cost to the consumer;
2. (CRE): change the incentive regulation to reduce the maximum remuneration that Enedis could receive;

3. (Central government): put in place real steering of the programme covering all its components, particularly energy demand management;

4. (Enedis): define an action plan to highlight all the potential of the Linky programme.

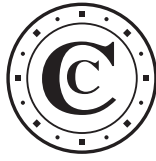


## Chapter III

### Public property management

1. Consolidation of the property of the central offices of the ministries for infrastructure, the environment, and housing: improved functionality at the cost of avoidable additional charges
2. The “Balard” project: an operational success, but a need for stronger control
3. École nationale supérieure maritime: a future in need of clarification
4. Ten years after the launch of the Campus operation, an underwhelming initial assessment



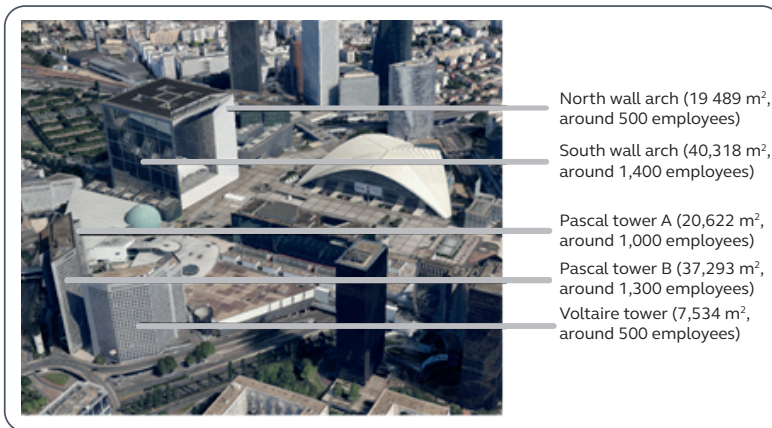


# 1 Consolidation of the property of the central offices of the ministries for infrastructure, the environment, and housing: improved functionality at the cost of avoidable additional charges

The ministries for infrastructure, the environment, and housing have gradually moved into the La Défense district since the early 1990s, particularly in the Grande Arche. The creation of a large ministry of ecology in 2007 perpetuated its establishment

in this district and led to a reduction in the number of occupied buildings to two instead of five in 2009 (four leased and one building owned by the central government: the Grande Arche).

## Presentation of the five buildings occupied in 2012 (area and number of employees)



Source : Cour des comptes - image Google Earth

## Resorting to complex legal arrangements for an ambitious consolidation project

The project chosen in 2012 groups together the ministry's offices in two buildings: the Grande Arche and a nearby tower (Sequoia). However,

it proved to be more expensive (by about 4%) and less functional than an alternative plan for consolidation in a single building without the central government's property council having been able to detect this problem, as it was consulted on the basis of an incorrect estimate and had no assessment of its own.

# Consolidation of the property of the central offices of the ministries for infrastructure, the environment, and housing

In addition, the legal arrangements used are complex. The central government has chosen to keep its properties in the Arche and renovate them under a “development” administrative long-term lease (BEA), at a cost of €356 million including taxes, and to lease with an option to buy and then acquire the renovated Sequoia tower, under a lease representing a total cost of €545 million including taxes in current euros.

## Goals of streamlining achieved overall despite an unfinished consolidation

The occupied space has reduced by around 30% (about 18,000 m<sup>2</sup>), while the annual overall property cost should be reduced, in a full year, by about 13%, from €80.2 million including tax to €69.7 million including tax and charges.

However, this consolidation remains partial, since the minister and his principal employees are remaining in Paris proper, and the directorate

general for civil aviation is staying in Issy-les-Moulineaux. The persistence of having three locations is all the more regrettable given that the ministry has offices already available in La Défense: after the moving operations, around 10% of the installed workstations are vacant compared with the maximum theoretical capacity (4,313 employees present in 2017 for 4,770 installed workstations).

## A mixed budget and financial situation

While investment expenditure (€710 million including tax) is very close to the initial estimates presented in 2008, the use of private financing, brought about by the state of public finances, has led to additional costs estimated by the Cour des comptes at around €88 million for the Sequoia Tower. This use of third-party financiers was also fostered by the lack of a defined discount rate for the central government’s real estate projects.

## Recommandations

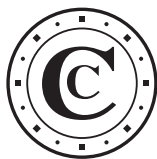
### **This information leads the Cour des comptes to make three main recommendations:**

1. (ministry of ecology and ministry of finance): vacate the spaces corresponding to the vacant physical workstations in the Sequoia Tower and the south wall of the Grande Arche in order to house other central government entities or operators there or, failing that, offer them on the rental market;

2. (central government’s property council): implement supplementary assessments for significant ministerial real estate projects not submitted to the general commission for investment;

3. (ministry of finance): define a discount rate for the central government’s real estate projects and regularly update it





## 2 The “Balard” project: an operational success, but a need for stronger control

**Public-private partnership:  
a tool used to finance a major,  
complex investment project,  
for lack of budgetary resources**

In 2007, the decision was taken to group together all top advisers and

central agencies of the ministry of the armed forces, previously located at 12 sites, at the Balard site in the south of the fifteenth arrondissement of Paris. This operation was part of a dual process of reorganising the ministry and general revision of public policies (RGPP).



Source : ministère de la défense

After a quick examination, the public-private partnership contract procedure was chosen, for lack of budgetary resources, as the best solution given the complexity of this project. This complexity was primarily technical, because of the constraints specific to the property used by the ministry of the armed forces (security of buildings, networks, and computer equipment in particular). It was also functional: a tight schedule was followed to permit partial occupation of the site while work was performed.

Lastly, the wish to rent part of the site's plot of land in order to reduce the overall cost added a financial difficulty to the operation.

**A well-conducted operation,  
but not fulfilling its  
financial roadmap**

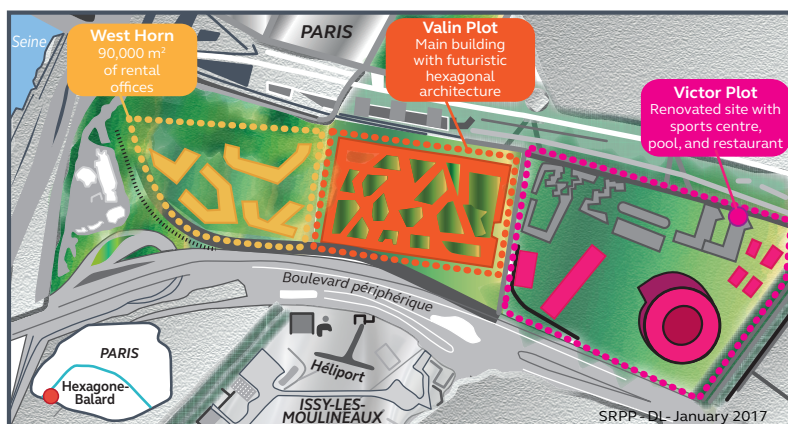
The operation was properly prepared and conducted in such a way that the definition of requirements, the competitive dialogue prior to the contract, the choice of the contractor,

# The “Balard” project: an operational success, but a need for stronger control

the financial negotiation, and the steering of the performance of the works were satisfactory from the perspective of public authorities. The signing of the partnership contract took place on 30 May 2011 with the OPALE consortium, following a call for tenders for which two other operators had applied. The central government outsourced the design, construction, and renovation, investment financing, and site operations missions for a period of thirty years for an estimated cumulative cost of €4.3 billion (2010).

However, the project is not free of problems, both in the upstream phase and in the completion of the works. The initial principle, based on self-financing of the project by the ministry of the armed forces, was not respected, and additional budget appropriations had to be mobilised. The savings were also lower than expected. Cour des comptes estimates that the overall cost of the consolidation, not assessed by the ministry, will reach €5.8 billion, including contract costs and related expenses outside the contract.

The Balard site



Source : Cour des comptes

## An operational success, but a need for stronger control

All in all, the Balard consolidation, which can accommodate nearly 10,000 civilians and military personnel on the east and west plots of the site, can be considered an operational success,

both because of the functionality of the premises and because of the time savings and significant synergies arising from bringing the various top advisers, divisions, and offices together. This finding is confirmed by the initial satisfaction surveys.

<sup>1</sup> The OPALE consortium mainly consists of the companies Bouygues Bâtiment Île-de-France, Thalès, and Sodexo.

<sup>2</sup> Eiffage and Vinci.

# The “Balard” project: an operational success, but a need for stronger control

For the future, stronger control of management will be needed to avoid future cost escalations and to ensure that OPALE complies with its obligations.

On a day-to-day basis, the management of the contract is now under the responsibility of the SPAC (A support service mostly responsible for organising

and implementing the material resources and services necessary for the operation of the central administration services). Strategic control has been entrusted to a “Balard Board”. The absence of a specialised structure, which existed during the implementation phase, may weaken the ministry’s position with respect to the concession holder over time.

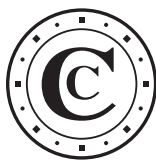
## Recommandations

**Cour des comptes makes the following recommendations to the central government:**

**1.** establish, as in the construction phase, control of Balard in project

mode and entrust management to a person reporting directly to the minister;

**2.** achieve the savings expected from consolidating at the Balard site.



## 3 École nationale supérieure maritime: a future in need of clarification

The École nationale supérieure maritime (ENSM - national maritime school) was created on 1 October 2010 through the merger of four national merchant navy schools (ENMM): Le Havre, Marseille, Nantes, and Saint-Malo. The Cour des comptes made an initial assessment of this reform, which aimed in particular at streamlining the resources devoted to maritime training and improving the recognition and attractiveness of this training by issuing the title of engineer.

### **A poorly executed reform, an unfinished process**

The preparation and implementation of the reform was carried out under very questionable conditions. The preparatory work, performed by a number of stakeholders, was poorly coordinated and was not completed when the decree establishing the school's missions and organisation came into force. Maintaining the four locations of the former ENMMs was also the subject of extensive uncertainty, which delayed the definition of a strategy for the school, deteriorated its social climate, and intensified competition between the local government authorities concerned.

The hasty entry into force of the decree, the lack of support for the school employees, who sometimes had to perform new tasks, vacancies in management positions, and

strong tensions within its board of directors contributed to a complete disorganisation of the school's services. Although the situation has now improved, the governance bodies are not yet complete (lack of a competent scientific council for research, in particular), and the functioning of the board of directors should be improved by abolishing the expanded powers of the chairperson, establishing a vice-chairmanship and adapting the board's composition. In addition, after a deficit of 1 million euros in 2011 and a near-bankruptcy in 2012, the ENSM's financial position has improved but remains fragile, notably because of the increase of its payroll.

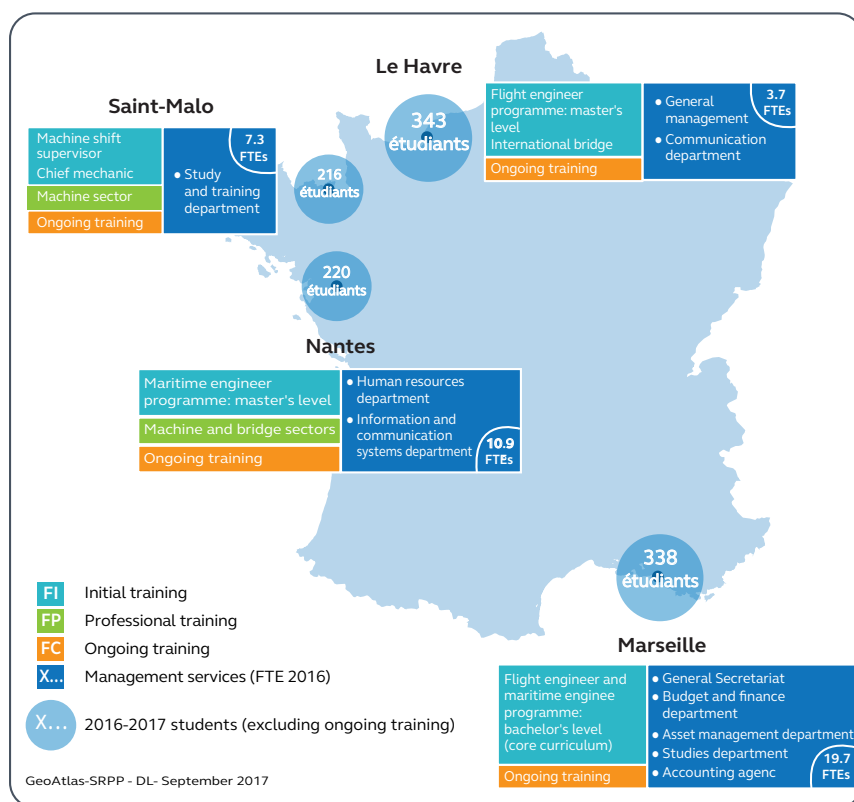
Due to political considerations and without a prior impact assessment, the decision to maintain the school location on four sites creates a deadlock for this organisation. Management offices are established at each site: this constitutes a source of inefficiency and additional costs. In addition, training activities were not located according to criteria of pedagogical effectiveness or streamlining of resources but aimed at maintaining or developing sufficient activity at each site. Lastly, the construction of a new building in Le Havre, delivered in 2015 at a cost of €27.8 million co-financed by the central government and the local government authorities, has worsened the situation. This has not

# École nationale supérieure maritime: a future in need of clarification

solved the overcapacity problem and generates higher operating costs than the former building (additional cost of €200,000). The reduction of the number of locations of the school, to

two or even one site, is now essential. To mitigate the impact of the closure of the other sites, ENSM's training could be housed in local educational institutions.

## Distribution of training and management offices



Source : Cour des comptes, d'après données ENSM

## A need to strengthen the transformation into an engineering school

While the ENSM creation project came about in a context of an expansion of the French fleet, its establishment occurred in a context of an arms crisis, and the number of open places each year for the entrance exam, mainly

related to the shipowners' capacity to take students for internships during schooling, has decreased since 2011. The numbers of registrations for the entrance exam have also declined. Although the disorganisation that followed the creation of the school certainly contributed to dissuading potential candidates, this lack of attractiveness highlights the low

# École nationale supérieure maritime: a future in need of clarification

visibility of the school. Other factors are also involved, such as the crisis in the maritime sector, the deterioration of the image of the merchant navy, and the navigation constraints.

Despite its difficulties and after considerable work, the school conducted a major educational reform, which allowed it to obtain accreditation to issue the title of engineer in 2011. However, interest in the title of engineer does not yet seem fully recognised, both by students and shipowners, and the impact on the employability of graduates cannot yet be accurately known, as the first class of engineer sailors just received their diplomas in 2016.

The international openness of the school and of its research activities is key for the ENSM's positioning as a higher education institution and engineering school. This has fallen behind, but the Cour des comptes noted recent progress in this area. Efforts to increase training diversification were also initiated in 2016 with the opening of two new

courses in maritime engineering. The assessment of the partnerships with higher education institutions still brings modest results.

Lastly, the school has ongoing problems with recruiting teachers for maritime subjects, due to the loss of the civil servant status and unattractive contractual remuneration conditions. The ENSM also has no forward planning for HR skills nor a training plan.

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The current situation of ENSM must be clarified. Strong decisions by its supervisory ministry need to be taken about locations and governance, and teacher management difficulties need to be addressed immediately. In the long term, maintaining the ENSM depends on the completion of its transformation into an engineering school and the demonstration of the relevance of this evolution, particularly with regard to the impact on its attractiveness and on the employability of graduates.

## Recommendations

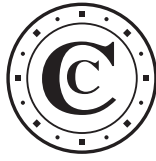
**The Cour des comptes makes the following recommendations to the supervisory authority and the school:**

1. reorganising the school's locations to two or even one site and strengthen partnerships with higher education institutions;

2. grouping the management offices together at a single site as quickly as possible;

3. eliminating the expanded powers of the chairperson of the board of directors;

4. putting in place the forward planning of jobs and skills and an effective training plan.



## 4 Ten years after the launch of the Campus operation, an underwhelming initial assessment

Announced by the President of the Republic in November 2007, the Campus operation aimed to massively renovate the university property portfolio, while supporting the movement to reform higher education initiated by the law on freedoms and responsibilities of universities (LRU) of 10 August 2007.

### Progress struck by an exceptional operation

This operation was initially supposed to be financed for €5 billion through the sale of 3% of the EDF group shares. Because this sale yielded only €3.7 billion, an additional €1.3 billion was included in the future investment programme (PIA). The financing of real estate operations is ensured by the interest generated by this €5 billion allowance deposited in an account with the Treasury, i.e., €201 million per year.

Ten main sites were chosen in 2008, and a portion of the €5 billion was allocated to each of them. Subsequently, eleven new sites were selected and received an additional €455 million in funding from budget appropriations, even though they did not meet the initial selection criteria. This operation was thus trivialised starting from the end of the selection process.

The ministry of higher education required candidates to use the public-private partnership as the means to carry out real estate operations, assuming that they met the necessary criteria. It felt that this choice would speed up operations while incorporating the cost of maintenance and upkeep. In addition, the rents owed under the partnership contracts were to be financed by the interest generated by the €5 billion allowance.

However, the use of the public-private partnership proved to be unsuitable for several real estate operations, and the initial framework was ultimately called into question, as certain universities and local government authorities were hostile to this mode of operation. Starting in 2013, the ministry returned to public project contracting for several operations, an option that was incompatible with the financing terms initially chosen. Universities had to be given the possibility of borrowing funds to resolve this difficulty.

### An underwhelming assessment

Eventually, this operation will have a positive impact on around 15% of the total surface area of the universities concerned, of which 40.8% were in average or deteriorated condition.

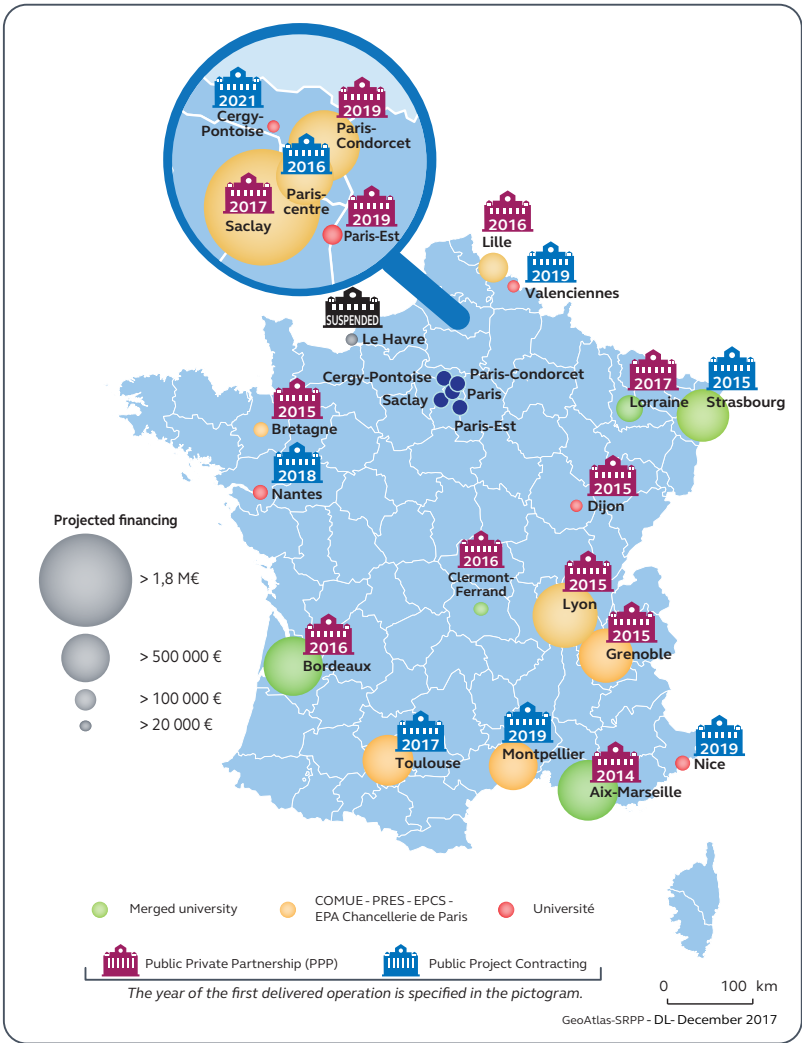


# Ten years after the launch of the Campus operation, an underwhelming initial assessment

However, ten years after its announcement, the operation is far from being completed, as only one quarter of the operations had been delivered in 2017. The lack of preparation of the universities at the time of its launch, the reluctance encountered during the preparation

of the partnership contracts, as well as a return to public project contracting in 2013 for certain operations led to significant delays. While the initial goal set the end of the operation in 2017, the last projects are not expected to be completed until 2023.

Progress of the Campus operation by site



Source: Cour des comptes, based on data from the MESRI and the ANR



# Ten years after the launch of the Campus operation, an underwhelming initial assessment

The goal of supporting the higher education reform movement pursued by the Campus plan has largely fallen out of view. The link between this plan and the experiments regarding the transfer of legal ownership of property has thus remained limited. The Campus operation also aimed to promote the sites engaged in a consolidation process: this aspect quickly disappeared from the ministerial objectives, with the administration instead focusing on carrying out projects and establishing procedures to ensure proper use of the budget appropriations.

Going forward, the central government must organise itself to meet the challenge of maintaining new or renovated buildings in order to avoid losing the benefit of this massive investment. The real estate skills acquired at the ministry level and in the beneficiary sites must be capitalised on. The missions of the Île-de-France public university development institution (EPAURIF) could be extended beyond its regional boundaries in order to provide the ministry and universities with the expertise of a competent operator. Lastly, a university property strategy must be deployed by site and be included in the multi-year contract entered into between the central

## Recommendations

### **Cour des comptes makes the following recommendations:**

- to the ministry of higher education, research, and innovation:
  1. articulate the property transfer policy with the implementation of the campus plan;
  2. extend the role of the EPAURIF at the national level to enable the ministry and the institutions to have a competent operator in the profession.

- to the higher education institutions:

3. define the real estate strategy as part of the site policy and make it the subject of a component of the multi-year contract entered into with the central government;
4. have the board of directors of the institutions validate, during their budget reviews, the programming and the results of the policy for upkeep and maintenance of their real estate portfolio.

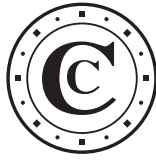


## Chapter IV

### Territories

1. Drinking water supply for the Greater Paris metropolis: a new strategy for new challenges
2. Public pools and aquatic centres: an obsolete model
3. Tourism in Languedoc - Roussillon: a challenge for the new region of Occitanie
4. Hôpital de Longué-Jumelles: an institution on artificial life support





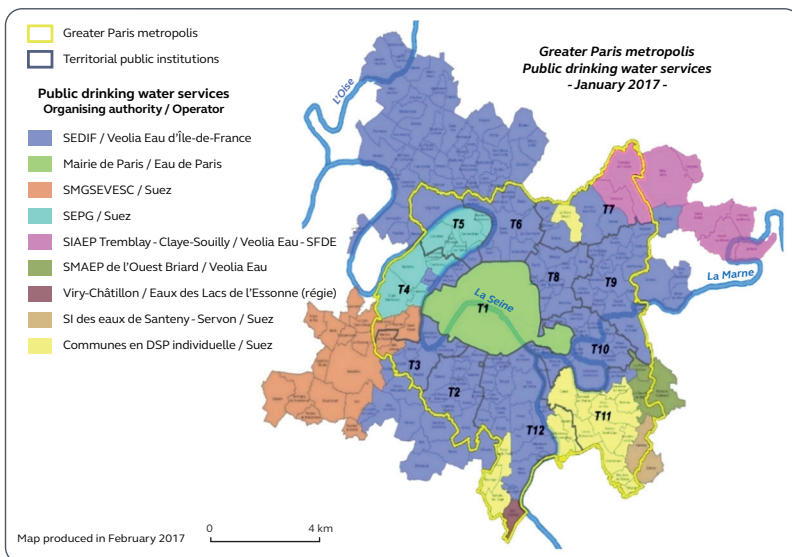
# 1 Drinking water supply for the Greater Paris metropolis: a new strategy for new challenges

Created on 1 January 2016, the Greater Paris metropolis includes the City of Paris and the départements of Hauts-de-Seine, Seine-Saint-Denis, and Val-de-Marne as well as seven cities of the neighbouring départements of Essonne and Val d'Oise. With 7 million inhabitants, it is the densest urban area in the country. The challenge of supplying it with drinking water is therefore crucial.

Today, three major independent players are in charge of the distribution

of drinking water: syndicat des Eaux d'Île-de-France (Sedif), which serves 4.4 million inhabitants of the Paris suburbs, Eau de Paris, which supplies 3 million users, and syndicat des eaux de la presqu'île de Gennevilliers, which supplies 600,000 inhabitants of the département of Hauts-de-Seine. Together, they serve 90% of the population of the Greater Paris metropolis and offer their users different prices for a cubic metre of drinking water consumed.

## Organisation of the drinking water supply within the territory of the Greater Paris



Source: Sedif

# Drinking water supply for the Greater Paris metropolis: a new strategy for new challenges

Compared characteristics of the three players in 2015

	Sedif	Paris	SEPG	Total
Number of communes	150	1	10	161
Number of inhabitants (in millions)	4.4	2.2	0.6	7.2
Volume invoiced per year	244 Mm <sup>3</sup>	172 Mm <sup>3</sup>	33 Mm <sup>3</sup>	449 Mm <sup>3</sup>
Water sales excluding taxes	354 M€	179 M€	52 M€	585 M€
Tariff excluding taxes for m <sup>3</sup> of waterfor 120 m <sup>3</sup> in 2017	1.37€	1.19€	1.32€	
Amount of work per m <sup>3</sup>	0.51€	0.36€	0.26€	
Average rate of renewal of networks over five years	0.70%	0.50%	0.76%	

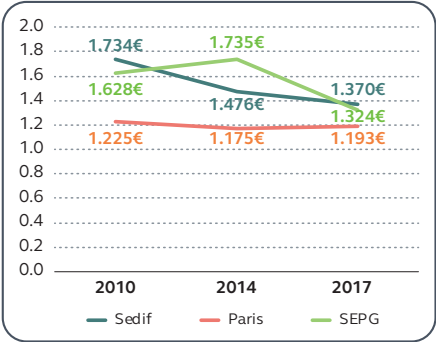
Source: CRC based on data from Sedif, Eau de Paris, and syndicat des eaux de la presqu'île de Gennevilliers

## Lack of an overall strategy

Although the pricing differences observed between the City of Paris and the two major syndicates serving the départements of the inner suburbs have narrowed recently, they still persist, ranging up to 15%, mainly due to structural choices made in the middle of the 19th century.

In particular, the City of Paris, whose network was structured under the Second Empire, has groundwater resources that are less polluted and therefore less treated. Because it is one of Europe's most densely populated areas, its distribution network is by far the shortest, and almost all of its pipelines can be inspected because they are placed in tunnels, allowing the City to ensure less expensive maintenance. Thanks to these advantages, the City of Paris bears lower raw water treatment costs, a lower network renewal rate, and therefore an investment amount per m<sup>3</sup> 42% lower than that of Sedif, which allows it to produce the territory's cheapest water.

Comparative changes in the price of m<sup>3</sup> of drinking water between 2010 and 2017 (for a standard consumption of 120 m<sup>3</sup>)



Source: CRC Île-de-France, from the reports on price and quality of drinking water and sanitation public services (RPQS) of the agencies and 2017 prices

Although the three players have state-of-the-art production tools, pipelines offering a yield rate well above regulatory requirements, enabling them to provide their users with drinking water and quality service, they operate in a highly compartmentalised manner, which results in a collective excess production capacity, while purchasing drinking water from private operators.

# Drinking water supply for the Greater Paris metropolis: a new strategy for new challenges

## New requirements to be considered

As an exception to the general rule, under the terms of the recent territorial reform, the Greater Paris metropolis does not have water and sanitation jurisdiction, transferred to each of the 12 territorial public institutions that compose it, which, except in Paris, do not have the infrastructure needed to implement a water policy.

Moreover, this organisation is not suitable to face the ecological and economic challenges of the 21st century, namely the continual increase in the pollution of resources, including underground resources, the consequences of climate change in the context of an increase in metropolitan population, and the necessary streamlining of investments, whereas in Tokyo, New York, and London, a single entity coordinates the management of infrastructure to meet the needs of 8 to 15 million inhabitants, taking into account the preservation of resources in a coordinated manner.

## Greater Paris, an opportunity to redefine governance

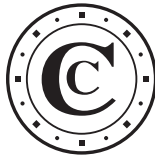
The adoption of a metropolitan water authority, for Greater Paris as elsewhere in the country, would create the conditions for quality water supply at the best price, uniform for all users. It would allow for the pooled management of risks and the elimination of bulk water purchase expenses in a territory that already produces too much water. It could optimise the use of metropolitan production facilities, generalise the best management practices of public drinking water services, and create an ongoing collaboration between the various modes of management present in a context of a low-competition market, restoring equal treatment of users throughout the territory, independent of choices going back more than 100 years or opportune alliances.

## Recommendation

**The Cour des comptes therefore makes the following recommendation to the central government:**

1. Entrust the Greater Paris

metropolis with complete water jurisdiction in accordance with the common national rule.

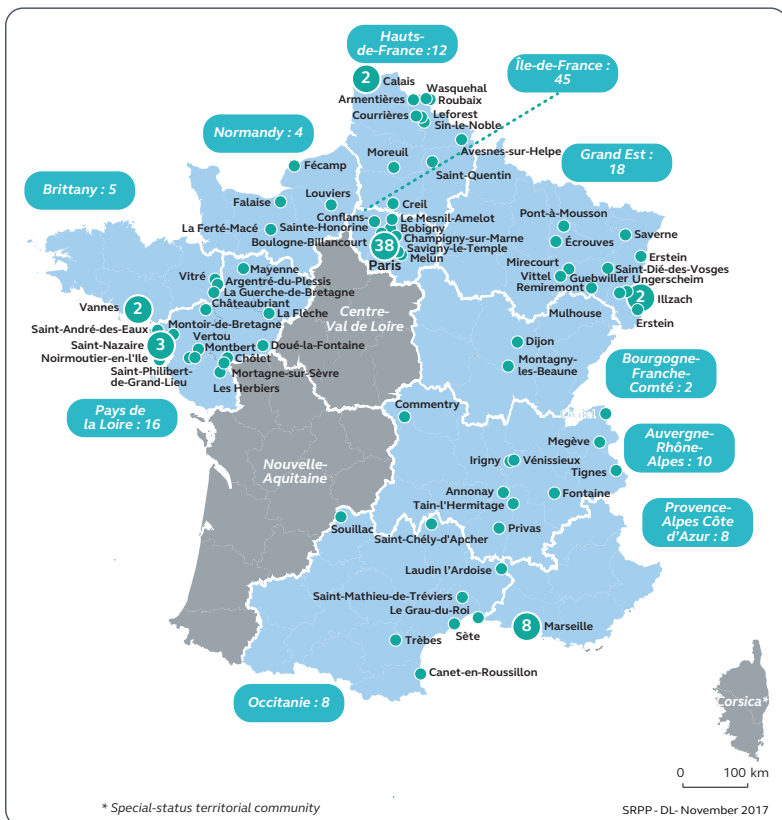


## 2 Public pools and aquatic centres: an obsolete model

As of 1 April 2017, France had 4,135 public swimming pools, including 6,412 swimming practice areas. Thirteen million people, or one quarter of the population over the age of fifteen, swim. The construction and management of swimming pools are mainly ensured by cities and inter-city bodies at a high cost.

As part of an investigation involving the Cour des comptes and ten regional courts of audit, the financial courts examined the management of nearly 70 local government authorities and groupings of cities with more than 100 swimming pools and aquatic centres.

### Aquatic facilities controlled by financial courts





# Public pools and aquatic centres: an obsolete model

## An old operating model, now unsuitable

Although the availability of swimming pools is greater than in certain neighbouring countries, the situation is variable across the territory. The surface area of swimming facilities per inhabitant in the Greater Paris metropolis is half that of Greater London. Aquatic facilities are less numerous in suburban areas and the priority neighbourhoods of the city's policy.

The stock of swimming pools and aquatic centres is dilapidated. Half of the facilities were built before 1977, in particular as part of the national "1,000 swimming pools" plan. The public's expectations have changed: users now want facilities that have not only swimming practice areas but also relaxation and leisure areas. However, the managing government authorities have rarely adapted their operating model to these new expectations and have difficulty controlling competition between these different uses.

The central government is no longer able to influence the distribution and the nature of the facilities, and it intervenes mainly through the payment of subsidies to the local government authorities during the construction of facilities. These grants, which represent a residual share of the funding, are dispersed among several players and funds (CDNS, DETR, FSIL, etc.). Against this backdrop, the Cour des comptes recommends that central government simplifies or even eliminates its involvement in this area.

## A structurally loss-making operation, two-thirds of which is covered by cities

The management of a swimming pool or aquatic centre systematically leads to an operating deficit, with an average of €640,000 per year for the examined swimming pools, i.e., more than one quarter of the surplus resulting from the routine operation of the government authorities concerned. This situation results from high costs of personnel and fluids and the setting of moderate fees.

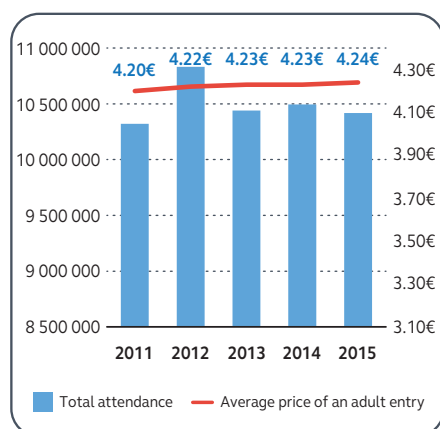
The analysis of where users come from reveals almost systematically a dissociation between the territory of the city that owns the facilities and where the users live. For example, two-thirds of the users of the Canet-en-Roussillon swimming pool (Pyrénées-Orientales) and 80% of the users of the Remiremont swimming pool (Vosges) do not reside within the territory of the city. However, when the facilities are managed by the city, the deficit is borne by the municipal taxpayer. In Remiremont, the swimming pool deficit represents on average €200 per year per household paying the residence tax.

The transfer of public swimming pools and aquatic centres to inter-city bodies is often appropriate. It brings the users' living area closer to the territory of the public owner and ultimately to the taxpayer who finances the losses. The lack

# Public pools and aquatic centres: an obsolete model

of transfer of a swimming pool to the inter-city body may sometimes result in the closure of the facility, as was the case with the Avesnes-sur-Helpe swimming pool (Nord). In addition, the inter-city management of aquatic facilities allows for pooling of resources and programming on a more appropriate scale.

**Change in visits (admissions)  
and prices**



Source: *Cour des comptes*, sample of facilities divided across ten regions

## Facilities management with lots of room for improvement

In 2017, nearly 85% of public swimming pools and aquatic centres were managed directly, i.e., with the government authority's own resources. However, the analysis of the running costs of the swimming pools is insufficient. Cities and their groupings rarely manage to comprehensively identify the costs and income of managing these

facilities. The functional presentation of their budget documents, frequently incorrect, can blur information for the deliberative bodies. In 2015, the City of Paris included expenses related to the use of other facilities in the "swimming pools" section of its administrative account.

Although the management of aquatic facilities in the form of public service delegations is growing, it remains characterised by numerous deficiencies in the control of the delegates. Generally, the choice of this mode of management was not preceded by an in-depth analysis of its advantages and constraints. Similarly, the operation of certain delegations is moving towards a transfer of ownership of the facilities to the companies responsible for their operation. Several of the examined contracts are unbalanced to the detriment of the public entity.

The cost of building a multifunctional aquatic centre is around €25 million. These complex facilities require significant technical, legal, and financial skills, which are not always held by cities and inter-city bodies. Most of the examined construction or renovation operations were characterised by a real cost of works that was substantially higher than the estimated cost. For example, the construction cost of the Plaine Oxygène (Seine-et-Marne) nautical centre was twice the initial estimates. Inaugurated five years after the scheduled date, it cost more than €50 million.

# Public pools and aquatic centres: an obsolete model

Lastly, beyond cost control, the management of swimming pools requires the definition of a real pricing strategy. However, the facility access fees are rarely changed according to operating constraints.

Swimming pools are frequently made available free of charge to schools, non-profit organisations, and clubs without measuring the potential loss of revenue for the cities that own them.

## Recommendations

### **Cour des comptes makes the following recommendations:**

To the central government:

1. simplify or eliminate central government support for the construction of swimming pools and aquatic centres.

To local government authorities and their groupings:

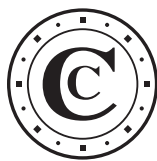
2. systematically assess the relevance of a transfer of swimming pools and aquatic centres to EPCIs with their own taxation;

3. present to the deliberative bodies, in support of projects validating

the construction or renovation of a swimming pool or aquatic centre, the projection of operating and investment expenses for the years following its commissioning;

4. develop analytical monitoring of swimming pool operating expenses in order to measure the cost of the service provided to users;

5. have the deliberative bodies adopt a global strategy specifying the missions and objectives assigned to public swimming pools in order to avoid competition of uses between different categories of users.



## 3 Tourism in Languedoc - Roussillon: a challenge for the new region of Occitanie

The regional authorities of Languedoc-Roussillon, in parallel with the private sector, have undertaken actions, examined by the Occitanie regional court of audits during the 2010-2016 period, to promote and develop tourism. This is indeed a key sector of the economy, contributing 12.7% of region's GDP in 2015, as in Provence-Alpes-Côte d'Azur, and providing tax revenues of €565 million to local authorities in 2014.

### **A fragile tourism economy to be bolstered**

However, the initial ambition to make the most of the region's specific assets, boosted by coastal development in the 1960s and 1970s, did not produce the expected effects. While the increase in the number of overnight stays over the period is higher than the national average, the same cannot be said for the average occupancy rate of commercial accommodation, revealing a lack of attractiveness.

Tourism in Languedoc-Roussillon comes mainly from a French middle-class clientele with a preference for outdoor accommodation or holiday homes. It has not managed to expand to other types of customers, despite some upgrading of commercial accommodations thanks to certifications. Notwithstanding the variety of the region's assets, tourism remains very seasonal and

concentrated on the coast. The proportion of stays has not increased nor their duration been extended, due to the insufficient development of cultural sites.

### **Mixed results of the action of local government authorities**

The poor organisation of the local public action has more to do with these disappointing results than the financial resources granted by the cities for the most part.

It was up to the regional council to ensure the planning and coordination of actions in tourism, along with support for the sector. This government authority did not fully assume this role.

Financial support for businesses has been limited and dispersed, and the economic fabric of the hotel and restaurant industry remains fragile. The region has not been able to remedy the lack of qualification of an essentially seasonal workforce, which is the main weakness of the tourism sector. Delayed and incomplete, the training strategy has not yielded results, with no conclusions able to be drawn.

Without any specific objectives, and without an evaluation of its implementation, the 2010-2015 regional tourist plan also suffered from the transfer of major powers from the

# Tourism in Languedoc - Roussillon: a challenge for the new region of Occitanie

regional committee, a body provided for by law, to a semi-public company, SEM Sud de France Développement, as well as the regional offices themselves. The promotion of tourism, the prerogative of SEM and its subsidiaries abroad, has been limited to awarding the “Sud de France” brand to regional products, notably from traditional agri-food sectors.

In the absence of coordination by the region, the dispersion of public players in tourism, marked in particular by the coexistence of départemental structures and more than 130 communal tourism offices, has led to redundant or even competitive situations that are not conducive to the efficiency of the regional tourism policy.

## New perspectives

Armed with the combined strengths of the two territories, Occitanie can rely on a new strategic plan adopted

in mid-2017 for tourism, targeting the attractiveness of the offering. The recent merger of Languedoc-Roussillon with Midi-Pyrénées makes Occitanie France's top spa region.

It is up to the new region to define objectives and indicators, which will form the basis for a future evaluation to be carried out, among other things, in a contractual framework with the employment stakeholders, to streamline the network of tourism offices, and to develop the financial support for businesses. The precise distribution of the conditions for intervention by each of the players, possibly within a legal framework reconsidered with regard to exemptions from transfers of jurisdiction for tourism-related matters to inter-communal bodies, is a necessary, if not sufficient, condition for the effectiveness and efficiency of the new regional tourism policy.

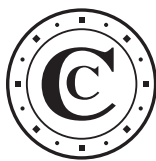
## Recommendations

### **The Cour des comptes makes the following recommendations to the regional council of Occitanie:**

1. specify the objectives defined in the regional tourism plan adopted in June 2017 and evaluate the results;
2. Formalise, with all employment stakeholders, a contract of objectives and resources setting out the regional training scheme dedicated to tourism in operational terms;
3. directly manage all aid granted to tourism companies.

Moreover, the Cour des comptes notes that, for tourist regions, the exemptions allowing tourist resorts to retain an office and jurisdiction at municipal level are likely to hinder the development of the inter-city body. It urges the central government to reconsider this measure. The following recommendation is intended for it:

4. carry out an assessment of the exemption system enabling tourist resorts to retain their tourist authority and a municipal tourism office once all the cases have been examined.



## 4 Hôpital de Longué-Jumelles: an institution on artificial life support

Located in the Saumur region, the Longué-Jumelles hospital centre (CH) mainly accommodates the elderly. Under joint management with the Saumur hospital and the nursing home for dependent elderly people (EHPAD) in Montreuil-Bellay, it employs around 150 workers for 140 beds. To ensure its long-term viability, which is now under threat, the Cour des comptes makes two recommendations.

### **A hospital in great difficulty for more than a decade**

Starting in 2008, the financial deterioration of the hospital centre was underscored by the regional court of audits (CRC Pays de la Loire). While the financial positions seemed to become favourable again in 2011, the recurring aid from the regional health agency (ARS), amounting to more than €4.77 million between 2011 and 2016, masked the impossibility of reaching an operational breakeven point. The 2015 gross margin, i.e., the difference between management income and expenses, amounted to -6% of turnover (€8 million) excluding grants and remained negative in 2016 for a consolidated book deficit of €1 million.

Every fiscal year has been tainted by errors, making the institution's accounts unreliable. To avoid payment default, more than €21 million in

accumulated expenses designated past due between 2011 and 2015. This multiplicity of inconsistencies did not make it possible to ensure that the financiers (ARS and département) paid what they should have. The hospital experienced serious management deficiencies, particularly in terms of human resources, for which it has never even had robust data.

The reconstruction project was necessary in 2011 in view of a dilapidated building compromising the safety of the residents. In addition to an internal configuration unsuitable for the needs, there were major management problems in the absence of a consistent strategy from the joint management. Medical information was misrepresented because the hospital centre extended the length of stays to fictitiously maintain the follow-up care and rehabilitation service (SSR).

### **A reconstruction to keep a hospital in Longué-Jumelles at all costs**

In view of the hospital's internal procedures, the joint management never played its role. The pooling that it was meant to promote did not take place, and the positions involving difficult recruitment are not filled.

# Hôpital de Longué-Jumelles: an institution on artificial life support

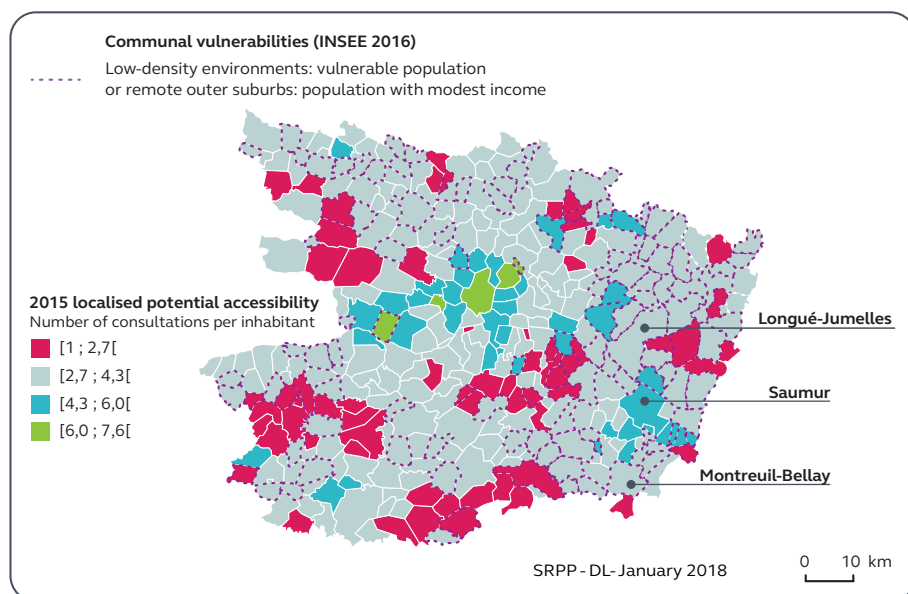
The initial overall budget for the reconstruction (€20 million) assumed a majority of outside financing. However, the steps taken to obtain loans were inadequate. In 2015, without a loan agreement more than a year after the signing of the contracts, the drying-up of cash forced the hospital centre to suspend the works. Only the involvement of the ARS and the guarantees provided by the département of Maine-et-Loire and the city of Longué-Jumelles were able to unblock the situation.

In addition, the hospital was unable to meet the budget schedule, which forced the ARS to approve the relevant documents beyond the regulatory time limits, for the sole purpose of

allowing the hospital centre to meet its mandatory expenditures.

Lastly, the management of the hospital centre maintained a “done deal” strategy by not waiting for the ARS’s approval to publish the calls for tenders for works in June 2013, even though the banks’ refusals to provide financing were known. The pricing authorities were helpless to block the project already launched. The dual funding circuit for long-term care and EHPAD weakened their control. In addition, the legality check by the ARS no longer exists since 2009, which deprives it of an effective control tool. Even the budgetary notification procedure that allows it to bring the matter before the CRC in certain cases could not apply in this case.

**Potential accessibility of general practitioners in 2015  
for vulnerable cities of Maine-et-Loire**



Source: Cour des Comptes, based on DREES and INSEE data

# Hôpital de Longué-Jumelles: an institution on artificial life support

## A financial stalemate and a threatened autonomy

Despite the ARS's aid, the cash position is critical, and the economic imbalance has become structurally irreversible. Debt ratios have reached an unsustainable level, with a deleveraging period of 117 years in 2016. Despite the bank guarantees from the département and the city of Longué-Jumelles, it is the ARS that must bear the hospital's financing needs. The final reconstruction invoice will exceed €26 million, which will necessarily impact the daily prices, which will be higher than the caps for this establishment.

In addition, the new premises do not adequately meet the needs and do not guarantee better care. Their maintenance cost was not correctly anticipated, nor was the impact

of the new architecture on work organisations. Lastly, a real strategy for the quality and safety of care remains to be constructed at the joint management level.

The Longué-Jumelles hospital centre therefore cannot envisage a sustainable future alone as long as the indecipherability of the gerontological offering in the Saumur region worsens the vulnerabilities in this territory. To avoid the outright closure of the site that a significant reduction in the ARS's aid would involve, the hospital centre must be repositioned in relation to its health and medico-social offering, even if only to keep an EHPAD there. Without waiting for this redefinition, a merger must be carried out with the Saumur hospital, the holder of the joint management.

## Recommendations

### **Cour des comptes makes the following recommendations:**

1. (ministry of health): proceed with the merger of the hospital centre (CH) with the Saumur hospital so as to facilitate a consistent repositioning of the offering of

gerontology care at the territorial hospital grouping (GHT) level;

2. (ministry of health): clarify the provisions governing hospital investment in the USLD and EHPAD sectors to ensure a concerted validation by the pricing authorities.