#### **PUBLIC ENTITIES AND POLICIES**

## MEDIUM SIZED CITIES IN OCCITANIA

Crises and adaptations

Thematic public report

**Summary Report** 

October 2020



This summary report is intended to facilitate the reading and use of the report from Cour des comptes.

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Responses from the administrative bodies, organisations and authorities concerned appear after the report.

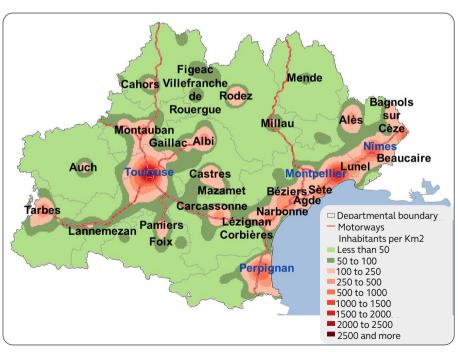
## Summary

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## Introduction

In 2018 and 2019, the Cour des comptes and the regional chamber of accounts of Occitania conducted a survey of medium-sized cities in Occitania in order to examine the challenges and difficulties facing these authorities, an essential link in the territorial organisation of this region and the subject of important public policies (investment support, overhaul of urban policy, housing policy, «cœur de ville» action, commercial revitalisation strategy).

The control sample covered 26 cities and their intermunicipal authorities for cooperation between local authorities (EPCIs). It was made up of cities with a population of between 10,000 and 100,000 inhabitants selected according to criteria of population, distance from metropolitan centres and specific regional characteristics.



The 26 cities in the sample

Source: CRC Occitania according to INSEE

## Introduction

The 26 medium-sized cities in question constitute structuring links in the regional space, between urban and rural areas. In Occitania, they encompass 730,000 inhabitants (i.e. more than 12% of the regional population in 2019) and 1,831,883 inhabitants with their EPCIs (i.e. around 31% of the regional population); they account for 18% of employment in the region.

This survey examined how their financial, economic and social difficulties, accentuated by intermunicipal weaknesses or shortcomings, could be overcome by a global strategy involving the central government and other authorities (urban areas, départements, regions) to make these cities more appealing.

Its findings constitute an inventory of the situation before the health emergency caused by the outbreak of the Covid-19 epidemic in March 2020. It is all the more useful as the extent of the impact of the crisis on local authorities will depend on their previous situation<sup>1</sup>. The audit recommendations of this survey thus remain relevant in the post-crisis context.

On the basis of the following analyses, the Cour des comptes mainly makes audit recommendations to central government that are relevant beyond Occitania, which, with its 13 départments and two urban areas, reflects the extreme diversity of urban dynamics in France.

 $<sup>^{1}</sup>$  In this respect, cities should be less affected than their EPCIs, both in terms of the nature of their revenue and their expenditure.



# Local authorities that are characterised by demographic changes and economic development that is less dynamic than in the urban areas

Within a region that benefits from sustained demographic growth2, the average development of mediumsized cities in the Occitan region is much less favourable<sup>3</sup> than in other areas of the region. Their population has grown less rapidly than that of their EPCIs and has aged more noticeably<sup>4</sup>. Between 1968 and 2016, while the 26 cities in the sample group gained 67,602 inhabitants, their EPCIs welcomed an additional 400,393. In fact, suburbanisation, which reflects a majority aspiration for less dense, suburban-type housing outside the city centre, has developed significantly. This phenomenon is also due to the impoverishment of some cities which, combined with higher taxation, leads

to the flight of wealthier households. It raises difficulties, both in terms of daily commuting for work, shopping and leisure, which generates pollution in these areas where the car remains the main means of transport, and from the viewpoint of the decline of city centres, the development of land and land consumption.

The cities in the sample only partially benefit from the particularly sustained economic dynamism of Occitania<sup>5</sup>. Whereas over the last 25 years, the number of jobs has increased by more than 30% at the regional level, the growth in the number of jobs in the cities included in the sample group was only 17% over the same period.

 $<sup>^2</sup>$  Its average rate, of 0.8% per year between 2011 and 2016, is twice that of metropolitan France. However, this growth is concentrated in the two regional metropolises, the coastal strip as well as along the main transport infrastructures.

<sup>&</sup>lt;sup>3</sup> The 26 cities in the sample experienced, on average, only 0.3% growth per year.

 $<sup>^4</sup>$  In 2016, people over 60 represented 30.9% of their inhabitants and those over 75 18.1%, against 26.1% and 9.3% nationally and 20% and 12.2% in the four largest Occitan municipalities.

<sup>&</sup>lt;sup>5</sup> Regional GDP has grown by 1% per year since 2009, a rate twice the national average (excluding overseas departments). This growth, fueled by the continuous increase in the population, is due in particular to the successes of the aeronautics and space industry around Toulouse, as well as to tourism.

#### Local authorities that are characterised by demographic changes and economic development that is less dynamic than in the urban areas

Due to their focus on subcontracting roles with lower added value, their economy was more severely affected by the 2008 crisis. Between 2010 and 2015, employment fell by 0.6% on average, while it increased by 4.8% in the region's four major urban centres.

In these medium-sized cities, the face-to-face economy, i.e. one based on the population actually located in the region, dominates, with a large range of services, even if local

commerce and private healthcare services are in decline. Moreover, while the cities examined generally enjoy a good range of facilities and services, this is less true for public transport, education, sports, recreation and shopping. Finally, these mediumsized cities suffer, despite the progress made in recent years, from insufficient digital access with unequal internet speeds and fibre optic connection rates, which are clearly inferior to those of the urban areas.



## A generally fragile financial solvency, which requires an adjustment of the budgetary process

Although the annual financial performance of local authorities included in the sample group has improved, their balance sheet situation still shows signs of fragility.

The medium-sized cities studied, in a constrained budgetary and financial environment, characterised by a decrease in central government allocations since 2014, have managed to strengthen their debt reduction capacity: by slightly increasing their tax rates, by controlling their management expenditure, but also by postponing some of their investments.

The increase in their tax resources from 2013 to 2018 far exceeds the decline in central government allocations received, a decline whose scale has, moreover, been limited by the rise in national equalisation mechanisms from which the cities have, generally, greatly benefited. In addition, the amount of taxation

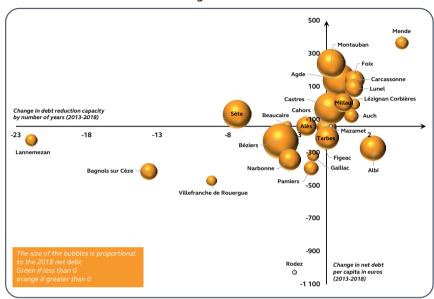
levied in the sampled central cities as "household" taxes (housing and property taxes) is higher than the amount levied at national level. This additional tax, corresponding to the difference between the income and the tax potential of three taxes, amounts to €357 on average per capita.

Two thirds of the gross self-financing capacity of medium-sized cities in Occitania was deployed between 2013 and 2018 to repay debt principal. The debt repayment burden remains high relative to the national average, with a ratio of just over 50%. These cities are also more indebted than the average for all French cities. In 2018, their gross outstanding debt per capita was one third higher. The hike in capital expenditure from 2017 onwards, even if supported by national programmes, risks worsening the financial position of several of these cities<sup>6</sup>.

<sup>&</sup>lt;sup>6</sup> The 2019 fiscal year showed a strong increase in investments that 2020 is likely to build on, following the Covid-19 epidemic, presaging a significant contribution to the economy by local authorities. It is likely that this will result in a deterioration in their self-financing and an increase in their debt.

## A generally fragile financial solvency, which requires an adjustment of the budgetary process

#### An uneven budget consolidation effort



Source: Anafi according to the management accounts

N.B.: This graph represents the medium-sized cities according to the budgetary policy they have pursued from 2013 to 2018 by positioning them according to the variation of their debt reduction capacity on the x-axis and the variation of their net debt per capita on the y-axis. The axes intersect at the median values of the sample. The size of the bubbles is proportional to the net debt at 31 December 2018 in absolute terms. The city of Lannemezan is out of the frame given the size of its debt.

Five sets stand out. The cities which have followed a policy of budgetary austerity or consolidation are located at the bottom left of the graph. Cities that have stabilised their net outstanding amounts are at the intersection. Finally, on the top right are the cities which have embarked on an ambitious investment policy which, depending on its scale, leaves them more exposed.

These cities all belong to intermunicipal authorities (EPCIs). However, the EPCIs with a single professional tax system and who have signed a city contract are obliged, since the scheduling law for city and urban cohesion of February 2014, to draw up a financial and fiscal pact. These pacts aim to reduce disparities in resources and expenditure between cities within territories and to promote the implementation of urban cohesion policies in favour of poorer

neighbourhoods and their inhabitants. However, as observed in the sample, no pact provides for the implementation of a process of harmonisation of fiscal policies between central cities and the other member cities.

Other regulatory mechanisms could be put in place to reduce the risks of budgetary and financial imbalances of these authorities, notably by strengthening the multi-year framework which deliberative meetings must rule on prior to the adoption of the budget.

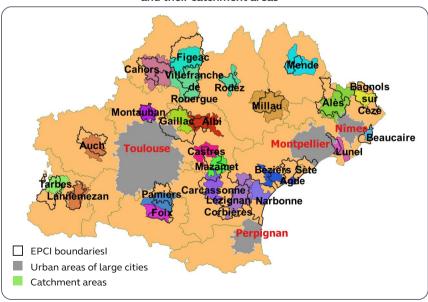


## Attractiveness policies hampered by the complexity of the institutional framework

Regarding the municipal block, the evolution of the institutional framework brought about by the law of 7 August 2015 on the new territorial organisation of the Republic (NOTRé), which extends and deepens an initial, smaller-scale wave implemented on 1 January 2014, still has much room for improvement. Indeed, the alignment between the EPCI scope and that of the catchment areas is still insufficient, and the redesign of the

inter-municipal landscape has seen an increase in the number of EPCIs whose population is inadequately polarised in the central city. The addition of many sparsely populated cities to existing intermunicipal bodies has led to the emergence of so-called «rural-urban» EPCIs, mixing urban, suburban and rural spaces with a range of issues and problems.

## The intermunicipal scopes of medium-sized cities in Occitania and their catchment areas



Source: Cour des comptes – CRC Occitania – statutes of the EPCI included in the sample group and Insee

## Attractiveness support mechanisms to be reinvented

Moreover, these enlargements have most often led to an administrative weakening of the medium-sized city (the intermunicipal centre). Their representatives hold less influence on the Municipal Council. Moreover, the methods of determining seats penalise larger cities and accentuate difficulties in building the intermunicipal project.

Finally, the question of the consistent transfer of jurisdictions and the assessment of the municipal interest, which is the prerequisite, is always important. Despite the improvements made by the NOTRé law, the definition of municipal jurisdictions is still too restrictive and makes it difficult to deploy coherent policies. The law of

27 December 2019 has, moreover, reinforced this dispersion by giving the EPCI the option of entrusting, by agreement, the creation or management of certain facilities or services in its remit to one or more of its member cities.

There are however a number of drivers available which could facilitate the emergence of a real regional strategy around these medium-sized cities. Their implementation requires advance adoption of objective definitions of the municipal interest, and better coordination of investment programmes within the municipal block.



## Attractiveness support mechanisms to be reinvented

Although the two central government-regional plan Occitania contracts for 2015-2020 do not include measures specific to medium-sized cities, those in the sample receive significant support from central government. This support is not however linked to the region's territorial policy, which is also placed on a contractual footing.

The "Cœur de ville" programme is based on a contractual approach which brings together central government and financial partners under a multi-year framework, around a local action plan supported by the city and its EPCI(s) that have signed the agreement.

All agreements for the cities in the sample were signed in 2018<sup>7</sup>. They were covered by a reduced preparation time, which did not allow for the design of real local development projects. At this stage, they are usually limited to an inventory and commitments in principle, with a list of projects.

Under these conditions, central aovernment could propose, conjunction with the region and on an trial basis in Occitania, support defining territorial strategies. Indeed, the cities in the sample do not necessarily need additional analysis. but rather support to carry out their projects, as they often lack the necessary human resources.

Other local authorities could better support the development of medium-size cities: local public entities could better facilitate cooperation between these cities and rural areas, the urban areas of Montpellier and Toulouse could develop policies going beyond their territory, and EPCIs could better coordinate the interventions of the many stakeholders competent in economic matters.

Finally, these various support mechanisms would benefit from being better coordinated by steering committees set up within the EPCIs to implement the territorial strategies defined.

 $<sup>^{7}</sup>$  At the end of the first half of 2019, 337 actions (out of 397 at the regional level), i.e. an average of 14 per city, had been identified.

## Audit recommendations

- 1. Complete the data that must appear in the budgetary guideline reports with reference to the amount of self-financing available, a multi-annual perspective and a ratio of available own financing to investment expenditure (DGCL, et DGFiP).
- **2.** Coordinate investment policies, in compliance with jurisdiction rules, to avoid an excessive use of fiscal policies (communes et EPCI).
- **3.** Adopt an objective of fiscal convergence in tax and financial pacts (communes et EPCI).
- **4.** Initiate a debate to establish, within the framework of fiscal and financial pacts (the scope of which could also be extended to all communities) a principle of financial solidarity that could be applied in the event of a budgetary imbalance or insolvency of one of the parties (DGCL et DGFIP).
- **5.** Adopt, for each intermunicipal authority for cooperation between local authorities (EPCI), an objective definition of the municipal interest in order to transfer to them all the elements relating to the powers which are devolved to them, except for derogations provided for by the law (communes et EPCI).

- **6.** Adjust tax on commercial premises (TASCOM) to allow the maintenance or development of trade in the city centrein line with the possibilities offered by article 3 of law no. 72-657 of 13 July 1972 (communes et EPCI).
- **7.** Create a regional trade observatory in the city centre in conjunction with the chambers of commerce and industry *(région)*.
- **8.** Trial a programme offering project engineering assistance to medium-sized cities to design a local development strategy at EPCI (région).
- **9.** Incorporate actions in favour of medium-sized cities into the next central government-region plan contract to coordinate central government interventions with those of the region, targeting them at medium-sized cities whose financial position requires it (État et région).
- **10.** Coordinate within a single steering committee, chaired by the EPCI, the different support mechanisms available to mediumsized cities on the basis of a territorial strategy(État et région).