

PRESS RELEASE

15 December 2020

PUBLIC FINANCES AND ACCOUNTS

LOCAL PUBLIC FINANCES IN 2020

Pamphlets 2 and 3

In order to ensure that the French National Assembly is better informed, since 2019, the Cour des Comptes has presented its annual report on local public finances in two parts.

Pamphlet 1, focusing on the financial position in 2019, was published in June 2020. Pamphlets 2 and 3, published jointly, focusing on the impact of the health crisis on local finances, with a review of local public management in particular, including, this year, a review on how establishing *métropoles* (metropolitan administrative entities) has gone.

Working side-by-side with the central government in response to the health crisis, local public authorities will experience huge changes in their financial positions in 2020. Even though it seemed only moderate at first glance, the crisis will have a hugely unequal effect across different types of local public authorities and will increase inequalities.

In addition, the review on how establishing the 21 *métropoles* examined in the report has gone gives a hardly convincing picture. Their creation has not yet had the desired structural effects in terms of pooling, transferring jurisdictions and influencing.

The highly unequal impact of the health crisis on local public authorities (pamphlet 2)

The public authorities in the municipal block are expected to experience a significant reduction in their savings in 2020. In particular, this change is due to an interruption in the revenue dynamic to which some public authorities are particularly exposed, such as tourist-heavy *communes* (municipalities) and transport authorities, for example. In addition, this situation has been brought about by proactive measures aiming to ensure that services continue and that the population, economic and social fabrics are supported. These factors have led the central government to propose a partial compensation mechanism covering revenue losses. However, uncertainties over future financial margins are threatening their inclusion in a new investment cycle.



Départements' financial vulnerabilities are also expected to worsen. The rise in their social welfare expenditure as a result of the deteriorating economic situation and the roll-out of emergency measures, has come hand in hand with a fall in their operating revenue, affecting transfer duties in particular. Against this backdrop, the central government has established an advances mechanism to cover specific revenues. While summer projections were expecting an overall fall in savings of 45% in 2020, this scenario seems to be pessimistic, however, even though the resurgence of the health crisis has added to the uncertainty at the end of the financial year.

Finally, moderate proportions of revenues from regions should be assigned. Regions have provided a very wide range of support to the hardest hit economic sectors, meaning that their investment expenditure should remain at high levels. As a result, they are expected to increasingly resort to debt. The method agreement signed between the central government and regions on 30 July 2020 should provide structural reinforcement for their resources from 2021 and help step up their efforts as part of the national recovery plan.

The establishment of urban areas: objectives have only been partially achieved at this stage (pamphlet 3)

Métropoles are the most resounding example of the movement to recognise an inter-municipal system, driven by four successive legal acts since 2010. While it is too early to draw definitive conclusions from how establishing them has gone, this progress report suggests that the objectives set out by legislators have only been partially achieved for the 21 *métropoles* (excluding Grand Paris) covered in this report.

Five years after this specific legal status was established for the majority of the *métropoles*, it has yet to have a real structuring effect. No significant progress has been made as regards the pooling of services, which continues to depend on the local political balance. The adoption of *métropole* status has led to limited changes to the jurisdictions exercised, within a generally unchanged geographic area. Finally, the establishment of *métropoles* has paradoxically gone hand in hand with promoting the central role of mayors in setting out inter-*commune* policies.

As a result, *métropoles* have been slow to take full flight, even though an ever-increasing number of partnerships with nearby public authorities and local areas have been developed.


At the start of the health crisis, these public bodies were generally financially healthy, thanks to their dynamic tax bases, despite the moderate fall in their funding. The reforms to local taxation and the consequences of the Covid-19 epidemic are now generating uncertainty over whether they will be able to maintain their financial trajectory and invest in infrastructure projects for their local areas and their residents.


[Read the report](#)


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