

LOCAL PUBLIC FINANCES IN 2020 - Pamphlet 3

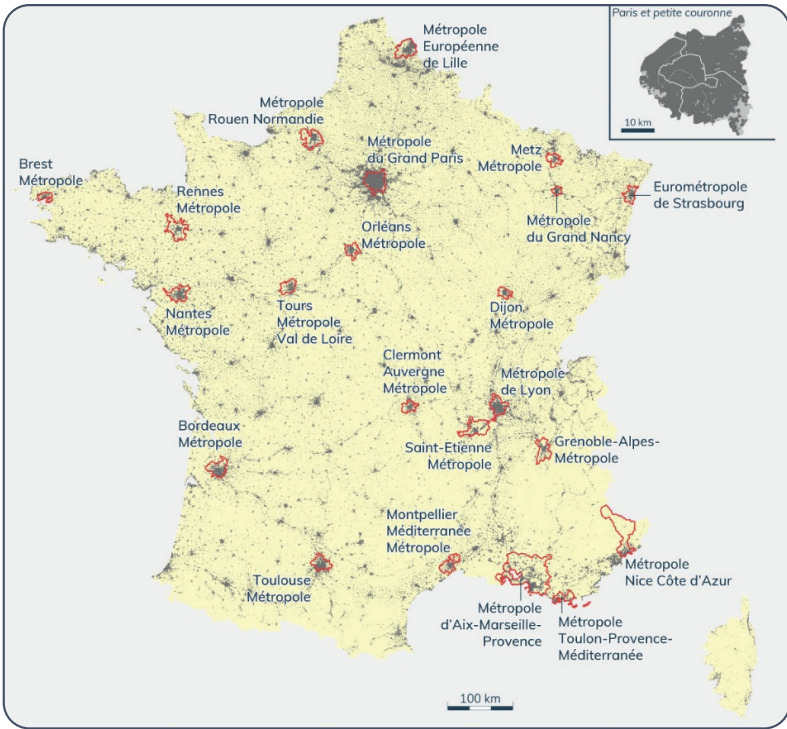
Establishing *métropoles*: unconvincing initial results

In its first pamphlet, published in June 2020, the Cour des Comptes analysed the financial position of local public authorities in 2019. A second pamphlet, published in December 2020, provided an overview of the impacts of the health crisis on local finances.

This third pamphlet focuses on the specific area of local public management. This year, *métropoles* (metropolitan administrative entities) have been established, a process which has been gradually rolling out since 2010.

Métropoles are the most resounding example of the movement to recognise an inter-municipal system during the 2010s, driven in particular by the Local Public Authority Reform Act of 16 December 2010 (referred to as the “RCT Act”), the Regional Public Action Modernisation and *Métropole* Recognition Act of 27 January 2014 (referred to as the “MAPTAM Act”) and the 7 August 2015 Act on France’s new regional structure (referred to as the “NOTRé Act”).

The 22 *métropoles* as at 1 January 2020



Source: *vie-publique.fr*

In its annual report on local public finances published in October 2017, the Cour des Comptes noted that the number of *métropoles* had increased, as a result of relaxed creation criteria, and stressed that this could lead to the key role entrusted to them by legislators being undermined.

In 2020, the Cour des Comptes examined the implementation of successive reforms on *métropoles* and how they have affected their structure, their financial position and the implementation of their public policies. The review period chosen has enabled the financial courts to put together an initial progress report on these reforms, but does not enable them to set out to make any definitive assessments. The wide variety of *métropoles* investigated has led the Cour des Comptes not to incorporate any general recommendations in this report. However, specific recommendations have been made for each *métropole* by the Regional Chambers of Accounts in their final reports and the Cour des Comptes endorses them.

The scope of this analysis covers 21 of the 22 existing *métropoles*, with the *Métropole du Grand Paris* being excluded on the basis of its special status, which is expected to change. In particular, this analysis is based on final reports from Regional Chambers of Accounts from assessing 13 *métropoles* (Bordeaux, Brest, Grenoble, Lille, Lyon, Marseille, Montpellier, Nancy, Nantes, Nice, Rouen, Toulon and Toulouse) between 2012 and 2018, a period which covers the time before and after they transitioned over to *métropole* status.

A specific legal status with no real structuring effect

The local reforms introduced by the RCT Act have resulted in the creation of a new category of intermunicipal authority for cooperation between local authorities (EPCI), as well as two *métropoles* with special statuses (Aix-Marseille-Provence and *Métropole du Grand Paris*) and a special public authority (*Lyon métropole*), with broader jurisdictions than the *communautés urbaines* (urban authorities) where most of the *métropoles* are located, by transferring jurisdictions from central government, regions and départements, in particular.

A specific legal status that takes local circumstances into account

According to the study on the impact of the MAPTAM Act, transferring jurisdictions should enable *métropoles* to achieve “higher levels of integration, making it possible to streamline public initiatives in their regions” in order to “enhance the potential of France’s major urban areas”.

However, despite the additional jurisdictions, the status enjoyed by *métropoles* under common law does not hugely differentiate them from jurisdictions enjoyed by *communautés urbaines* in other areas.

The diversity in terms of geography (the difference in the surface area between the largest and smallest is 1 to 22), demographics (the most populated *métropole*’s population is nine times larger than the smallest) and socio-economic situation (particularly in relation to alignment between the outskirts and the urban centre) is reflected in local circumstances being taken into account and means that they cannot be compared easily.

Beyond amending and expanding the generic *métropole* status from the RCT Act, the MAPTAM Act created three *métropoles* with special statuses, which operate within specific local institutional frameworks. These are *Lyon Métropole*, Aix-Marseille-Provence *Métropole* and *Métropole du Grand Paris*, which is excluded from the scope of this investigation.

The creation of ***Lyon Métropole*** is the culmination of an integration approach pursued by local public bodies for many years. Following the transformation of Lyon *communauté urbaine* (created on 1 January 1969), the *métropole* also exercises all of the jurisdictions of the département of Rhône in its area. As a result, it is the only example of a tier of local government being abolished in an area and the only French *métropole* to exercise social welfare jurisdiction.

However, at this stage, *Lyon Métropole* is still an area with unfulfilled promise. As a matter of fact, while Lyon’s transition from a *communauté urbaine* to a *métropole* may generally be seen as a success, especially since it was completed within a very short timeframe, the structure in place is still largely inherited from the former *communauté urbaine* and the anticipated increased effectiveness and efficiency have yet to come to fruition. When it comes to potential synergies between the policies inherited from the *communauté urbaine* and the département of Rhône, the scope for potential alignments is still limited because the two public authorities were generally operating in different areas. In the examples analysed by the Auvergne-Rhône-Alpes Regional Chambers of Accounts (RCAs) (adapting the housing stock to specific communities and to address

fuel poverty; reconciling savings and integration), the results observed are still not very meaningful. There has been very little long-term disentanglement of jurisdictions. In addition, it is very difficult to measure whether jurisdictions have become disentangled because when work began to align these policies, no monitoring mechanism was put in place to evaluate the effects.

A further stage in the *métropole*'s development began with the election of *métropole* councillors by direct universal suffrage in June 2020. While it is obviously too early to measure the effects of this, this development should give these elected representatives greater legitimacy and inject new dynamism into building and developing the *métropole* project.

As a result of a special status being created, partially aimed at compensating for the constant lack of political consensus among local elected representatives, **Aix-Marseille-Provence Métropole**'s remit and ambitions have generally been reduced. As a matter of fact, the six former intermunicipal authorities for cooperation between local authorities have survived as "local councils" and were delegated all *métropole* powers, with the exception of some planning jurisdiction, from the outset until 31 December 2019. These metropolitan jurisdictions were then confirmed until 31 December 2020. In practice, these local tiers have remained the power centres and at the heart of decision-making, even though, following a brief transition period, they were supposed to essentially only play a consulting role. As a result, they take up most of the investment funds for the new institution, at the expense of *métropole* projects which, at this stage, are reduced to the bare minimum, due to a lack of resources and political consensus. This structure would benefit from being simplified. If the *métropole* project is to

be a success, it will depend on the range and the coherence of the decisions that *métropoles* will make following a period of delegation to local councils. In particular, any complete overhaul would involve revising compensation allowances to suitable levels, so that *métropoles* would have the resources they need to pursue the infrastructure projects that they have set up.

A status which still does not have a real structuring effect

For now, the *métropole* status has not brought about any significant progress in **pooling services** beyond the approach that existed before it was adopted (Toulouse, Nice and Tours). This pooling takes various forms, ranging from grouping orders to pooling staff and services, which is the most common form. The level of service integration still varies greatly from one *métropole* to the next and hugely depends on the local political balance. Pooling has often still not materialised and the corresponding gains are still limited, particularly in terms of economies of scale. Even where shared services exist, the majority of them are only tied to the *métropole* and its city centre.

The **management and coordinating processes** have not been hugely changed. Priority has been given to transferring staff as a result of transferring jurisdictions, and the Regional Chambers of Accounts argue that the role and structure of support functions now need to be reviewed so that they can be more effective and more efficient. As a result of the shortcomings in the coordination and monitoring mechanisms and systems, which still need to be strengthened, it has not been possible to measure the effects of transforming *communautés urbaines* or metropolitan areas into *métropoles*.

Transformations into métropoles: promises yet to be fulfilled

While, at this stage, it is too early to draw definitive conclusions about how things have gone with establishing *métropoles*, as most were created after 1 January 2015, it is still possible to make an initial assessment, which shows that the objectives set out by legislators have only been partially achieved.

Limited transfers of jurisdictions

The adoption of *métropole* status has generally only resulted in limited changes to jurisdictions exercised, within a generally unchanged geographic area. When it comes to transferring commune jurisdictions, despite the slightly more extensive powers (particularly in relation to tourism and support for higher education and research institutes), the creation of the *métropole* status has not substantially changed the core jurisdictions already enjoyed by *communautés urbaines*. However, *métropoles* may be assigned powers by public bodies other than its member communes, including the central government, regions and départements, in order to exercise them over its local area.

Some transfers of commune powers had already been made to pre-existing EPCIs (*communautés d'agglomération* (metropolitan authorities) and *communautés urbaines*), even though the Cour des Comptes has noted significant delays in undertaking related asset transfers. Département jurisdiction transfers have at least been *carried out*.

Métropoles have been slow to take full flight

Métropoles have not fully harnessed their role or their powers and have been slow to take full flight. Their remits are still vague and there are still difficulties with clearly setting out areas of responsibility for *métropoles* and areas of responsibility for the communes that make them up. Assessments have highlighted that areas of responsibility are adopted empirically and that the criteria chosen are based on an analysis of each local situation rather than on a fully-fledged operating strategy for the *métropole*.

They may also have suffered as a result of strategies implemented before they were created or financial evaluations of transferred expenditure, which penalise their financial power and their ability to take action.

The establishment of *métropoles* has paradoxically gone hand in hand with promoting the central role of communes in the local landscape and the central role played by mayors in setting out inter-commune policies. By applying a subsidiarity principle in exercising local service jurisdictions, services in a local area are decentralised and often placed under the operating authority of mayors. Furthermore, while *métropoles* are formally governed by decision-making bodies such as the *métropole* council and office, Regional Chambers of Accounts have also noted that mayors, through their representation on all consulting bodies (whether or not set out in law), also play a crucial role in the decision-making process. The Engagement and Local Services Act of 27 December 2019

enshrines the practices observed and recognises the importance of mayors from member communes in setting out and implementing métropole policies, reinforcing the idea whereby métropoles remain EPCIs with their own tax systems, « by nature, serving communes », lagging behind the ambitions initially outlined in the laws that established their status.

Influencing objectives that are hardly reflected on the ground

The structuring effect of a métropole is created by its own initiatives in its own local areas, but also through its partnerships with neighbouring public authorities.

While legislators had wanted to see better alignment between the institutional structures and the reality of how local areas operate, none of the 19 standard métropoles had their structures changed when they were created, despite the occasional substantial differences between these structures and local socio-economic dynamics. As the strength of a métropole is also partially drawn from the strength of intercommunalités (intermunicipal local authorities) or of the neighbouring and surrounding communes, its structuring effect is therefore generated by its own initiatives in its own local area, but it is also the result of (interterritorial) partnerships with neighbouring local public authorities and regions, as part of a mutual benefit approach.

These partnerships come in a wide range of forms and arrangements. Incentives proposed by the central government (the agreement signed between the central government and the métropoles on 6 July 2016 and the reciprocity agreements signed between towns or cities and rural areas as part of the third mandate of the Interministerial Committee on Rural Affairs of 13 March 2015) have not been hugely mobilised, as métropoles prefer proactive partnerships. The partnerships that have actually been developed, which aim to accommodate the needs of the various parties involved, focus on a range of areas and come in a range of structural forms, using preexisting tools such as metropolitan centres or adopting less restrictive arrangements (such as agreements, protocols and conventions), and even arrangements that exempt parties from financial commitments, with the risk of not moving beyond the letter of intention stage. Analysis by Regional Chambers of Accounts has shown that there was an encouraging increase in partnerships between métropoles and medium-sized cities in 2019.

The coordination of métropole initiatives with the regions is still limited and inconsistent (particularly when drawing up and implementing Central Government Region Contracts (CPERS)), and it is especially difficult to measure their contribution to influencing regions.

A structurally strong financial trajectory put to test by the 2020 health crisis

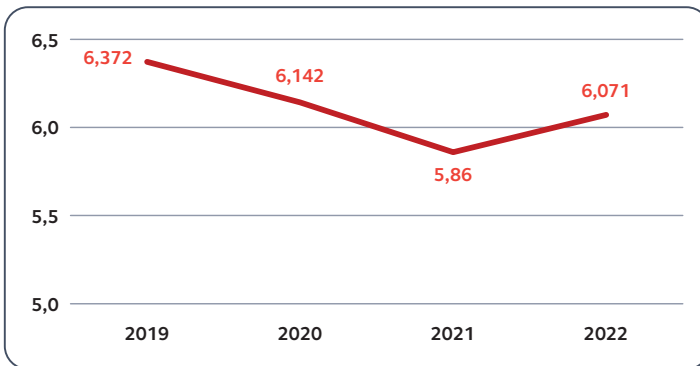
Coming into the health crisis, these public bodies were generally financially healthy, thanks to their dynamic tax bases, which more than offset the moderate fall in their funding. Growth in operating expenditure has been buoyed completely by specific budgets, in particular, by the specific budget for transport. Staff expenditure is still particularly dynamic.

Overall, despite the recent growth in interregional cooperation providing an avenue that can be strengthened, the nature and scope of métropole powers, as well as the way that métropoles are governed, seem ill-equipped to fulfil the legislators' initial ambitions. Métropoles are still similar to urban authorities, both in terms of influence and management performances.

The lack of elections by universal suffrage for métropole councillors, with the notable exception of Lyon Métropole now, does not give their elected representatives a comparable legitimacy to the municipal councillors, particularly the legitimacy of mayors. As a result, métropoles are still “at the service” of the communes that make them up and are not avoiding the pitfalls of fragmented local interests in their areas.

The reforms to local taxation and the consequences of the Covid-19 epidemic are now creating uncertainty over whether they will be able to maintain their financial trajectory and their impetus to continue infrastructure projects for their regions and their residents.

Forecasted changes to actual investment expenditure for a cross-section of 11 métropoles*



* This cross section is made up of the Bordeaux, Brest, Grenoble, Aix-Marseille, Montpellier, Nice, Rennes, Rouen Strasbourg, Toulon and Tours métropoles, which account for just over 60% of the budgetary cost of the 21 métropoles covered by this pamphlet.

Source: Cour des Comptes, based on the Financial Court survey; please note that the same cross-section as the previous chart is being used here

