

Cour des comptes



THE INSTITUTE OF FRANCE AND THE FIVE ACADEMIES

Standardising management
and restoring balance

Thematic public report

July 2021

Executive summary

Fragmented governance

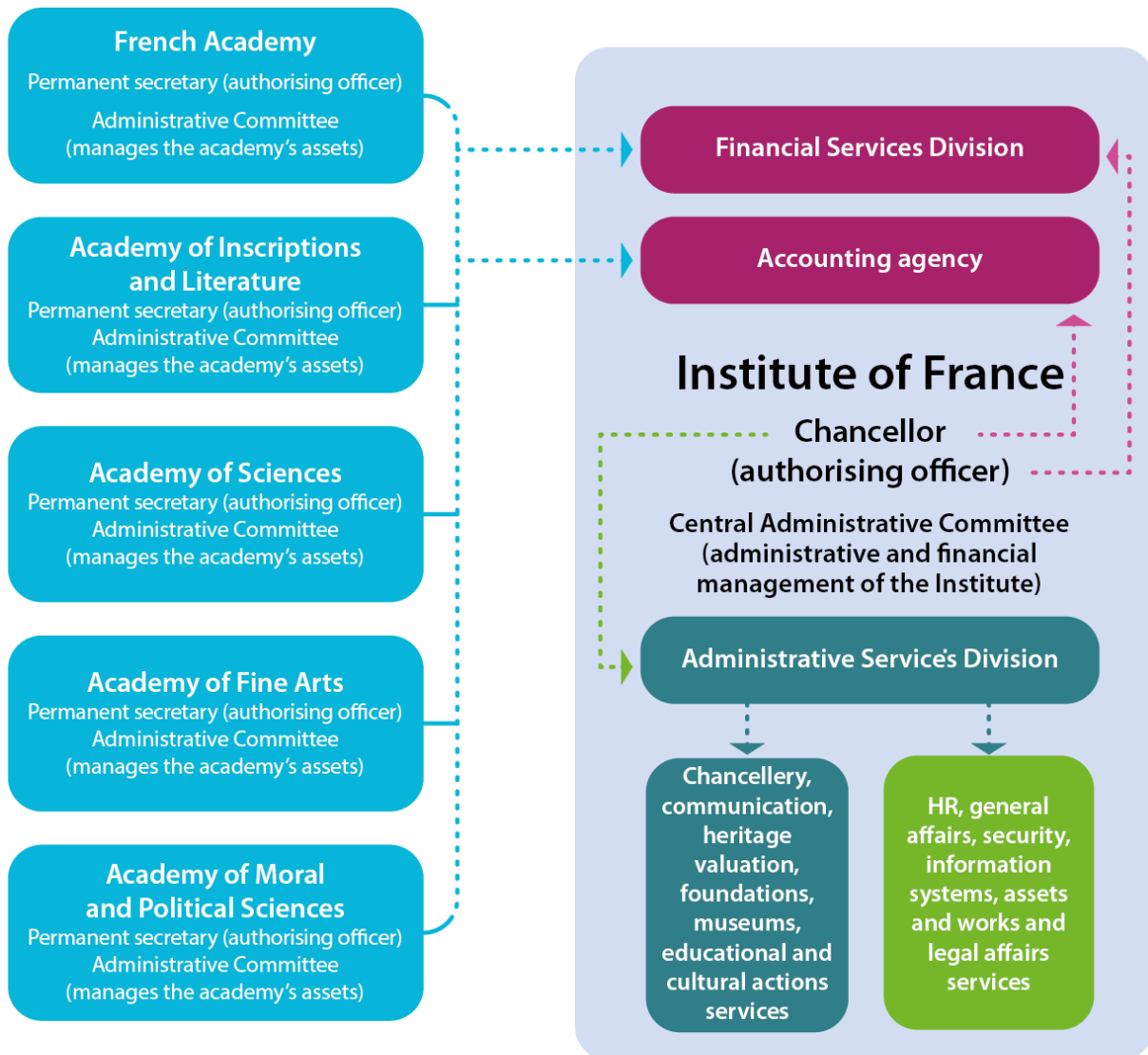
The Institute and the academies form a unique group of institutions, marked by a strong identity but also driven by centrifugal dynamics. The reform of their status, enshrined in the law of 18 April 2006, established these six institutions as "legal entities governed by public law with special status", but it has not yet reformed a collective organisation that seems both confused and dated. The governance of this group of institutions is indeed characterised by a multitude of stakeholders and bodies, sometimes with poorly defined functions, with a large number of layers that have stacked up over time in the decision-making process. This organisation is not efficient in terms of management.

Indeed, although the Institute and the academies are separate legal entities, each with its own authorising officer and separate financial accounts, these institutions are nevertheless linked to each other. This interdependence is reflected by their shared occupancy of the palace located at 23 quai de Conti and by the role of the Institute, which is responsible for managing a number of support functions for the academies (accounting and financial functions, human resources service, etc.) as well as its own assets.

Already requested by the Court during its previous audits¹, further integration and pooling of the support functions is necessary in order to professionalise the management of the Quai de Conti institutions. The current "à la carte" pooling system is not working well and is now reaching its limits. It overcomplicates the decision-making circuits and hampers the essential improvement of management functions, for an overall management which should be more the Institute's responsibility.

¹ Annual public reports for 1992, 2000 and 2009, and the 2015 thematic public report *The Institute of France and the five academies: an exceptional heritage, a management lacking rigour*.

Diagram No.1: institutional organisation of the institute and its academies



- Services under the authority of the chancellor and permanent secretaries and partly charged to the academies
- Services under the Chancellor's authority, which currently work partly for the academies, as service providers, on their initiative and under their control and partly charged to the academies
- Services under the Chancellor's authority, which work mainly or exclusively on managing the Institute's own assets or those of its foundations

Source: Cour des comptes

Insisting on their specific nature enshrined in the 2006 law, the Quai de Conti institutions often find themselves in a situation of legal insecurity and unable to determine the law that applies to them. The resulting uncertainty partly fuels the management problems noted by the Court. This framework should therefore be legally consolidated by applying all the relevant provisions regulating the budget, accounting, financial and human resources management of public bodies to the Institute and the academies.

Insufficiently professionalised management

Despite recent efforts to restore order, the full impact of which has yet to be felt, the Court identifies all kinds of weaknesses in the way in which the Quai de Conti institutions manage gifts and run themselves.

The Institute and the academies have received, over time, a large number of bequests and gifts which are wide-ranging in terms of their origin, age and size. Even though the Quai de Conti institutions derive most of their resources from the proceeds of these gifts, their ongoing management is a concern.

Until very recently, there was no complete and up-to-date inventory of the donations and bequests received and any related charges. Among the foundations, just over a thousand in 2019, many of the oldest are subject to escheat. The name “foundation” is also used inappropriately to designate gifts which are not real foundations. Apart from a terminology issue, the “foundation” classification results in the budget, finances and accounting being dealt with separately from allocated donations and bequests, sometimes without legal basis. This practice has led to the artificial compartmentalisation of the Institute’s and the academies’ resources.

The academies must therefore compile an inventory of their respective foundations, as the Institute has done very recently. The classification by legal category of said foundations must be standardised and an overall agreement must be reached with a view to an aligned management for the future. This approach is essential for obtaining comprehensive knowledge of the constituent elements of the Institute’s and the academies’ heritage. It also determines the search for leeway in the management of such assets.

This clarification work should also prompt the Quai de Conti institutions to be highly selective in the future when accepting donations and bequests, when they face very heavy financial constraints related to the maintenance of their historic monuments and the conservation of their collections, as well as the maintenance costs of a large rental property portfolio which is unevenly profitable.

Finally, in the interest of donors, a legislative basis should be given to the option available for the Institute and the academies to house foundations and to benefit from the provisions of the French General Tax Code applicable to public interest foundations.

Despite recent professionalisation efforts, the management of the Institute’s and the academies’ exceptional real estate assets suffers from an administration which is still insufficiently qualified and equipped, as well as from a lack of multiyear investment master plans. Two prestigious operations, the acquisition of a building located at 17 quai de Conti and the construction of the auditorium, were carried out for approximately €46 M, of which nearly €25 M was to be paid by the Institute, while, at the same time, restoration work on the Conti Palace (at an estimated cost of around €25 M) was not carried out. A recent report from the heritage inspectorate of the French Ministry of Culture, conducted at the Institute’s request, highlighted the poor archiving management and the fire risks of the storage areas in the Conti Palace.

As regards human resources, a number of shortcomings identified by the Court in 2015 have been corrected. However, the movement to restore order must be continued by cementing the Institute’s role as the sole personnel management service and therefore facilitating the progressive alignment of the rules that apply to them. The modernisation of human resources management still, however, requires obsolete or unsuitable IT tools to be upgraded, as well as standardised personnel management methods. Only then could the wage bill currently managed by the State be transferred to the Institute, which is a desirable development.

An exceptional artistic and cultural heritage, partly neglected

The Institute and the academies - the Academy of Fine Arts and, to a lesser extent, the Academy of Sciences - possess an exceptional cultural heritage, mainly gathered together in eighteen sites open to the public or of heritage interest. These sites include several museums with high cultural and tourist appeal (the Marmottan Monet and Jacquemart-André museums in Paris, the Condé Museum in Chantilly, Claude Monet's gardens and house in Giverny), as well as smaller sites. The Conti Palace, occupied by the Institute and the academies and state-owned, should be added to the Institute's and academies' properties.

The "museum" sites of the Institute, the Academy of Fine Arts and the Academy of Sciences

Some sites, such as the Giverny house and gardens or the Marmottan Monet museum, are maintained and operated in an exemplary manner. However, much of the Institute's and academies' cultural heritage has been neglected for several decades, through lack of resources or attention, which is particularly the case as regards the Villa Éphrussi in Saint-Jean-Cap-Ferrat (Alpes-Maritimes) and the Chaalis Estate (Oise).

Collection valuation and conservation issues and, more generally, those related to museums and other cultural heritage sites are addressed very differently depending on the organisation responsible for them. The administrative and financial monitoring of the Institute's and academies' museum and heritage activities, which has been lacking for a long while, is being redressed in some sites. The full impact of this significant effort, given the extent of the former disorder, has yet to be felt, however.

Much remains to be done, whether it be the management of the sites, the supervision and auditing of the operating concessionaires, the conservation of the collections and buildings or the definition of a public policy. It is essential that the French Ministry of Culture, which subsidises restoration programmes for historic monuments owned by the Institute and the Academies, is more prescriptive in terms of compliance with conservation obligations in the future. The "musée de France" label, received by the Condé Museum in Chantilly in 2020, should be gradually planned for other sites. The resulting obligations, in terms of conservation, restoration, study and enrichment of the collections, the development of a scientific and cultural project and the presence of authorised personnel, would greatly improve their administration.

Apart from considerations relating to the exploitation of listed monuments and museums belonging to them, the Institute and the academies must adopt an overall wealth strategy. This strategy, drawn up on the basis of multiyear investment plans, involves project programming, in light of the resources available. The financing of these projects implies an active search for sponsorship for each site. The Institute and the academies should also consider alternative scenarios for the transfer or vesting of some of their assets (formation of *public-private partnerships* - PPP) with other public entities, conclusion of emphyteutic leases or even the alienation of certain buildings after judicial review of the bequest).

An unbalanced financial position

Due to the lack of timely maintenance and restoration work on their historical heritage, the Institute and the academies now find themselves in an unbalanced financial position.

The Quai de Conti institutions now have to make difficult investment choices and need to put their accounts in order. The Institute's and academies' accounting is actually a problem in itself. The accounting agency, which is in a dire situation, has experienced multiple problems and a chronically unstable workforce; as for the accounts, the book-keeping is deeply flawed:

they do not give a true picture of the assets and liabilities of these institutions, resulting in particularly devalued financial information.

Revenue-earning assets, whether rental property or financial investments, would also require an improvement in the internal and external expertise of the managers responsible for managing them. The investment methods of the Institute's and the academies' financial portfolios, which amount to nearly one billion euros, are relatively risky and not necessarily suited to the long-term missions of the Quai de Conti institutions. The brokerage and transaction costs of these portfolios are also high. The arrangements for managing financial assets should therefore be reviewed in order to secure and optimise the investment portfolios.

Today, the Quai de Conti institutions are unevenly affected by financial constraints. The Academy of Fine Arts is in a very unusual situation compared to the other academies. It has significant resources (nearly €200 million in equity, including €88 million in available reserves), which should enable it to finance the investment costs of its museum foundations. The other academies, while having fewer resources, should also be able to cover their expenses.

The lack of genuine financial solidarity among the Quai de Conti institutions, however, distorts the assessment that each may have of their own and the Institute's situation. The Institute must, in fact, assume the operating costs of the support functions it manages for the academies, which are growing rapidly because of the required service professionalisation, and which the reimbursements made by the academies are far from covering. It also has to cover, by itself, the considerable investment expenditure to be incurred on its many museums and the Conti Palace, even though the palace houses not only the Institute but also the academies. The funding mismatch can be assessed, for the Institute, at around €54 million over the next five years, including €25 million for the renovation work to be undertaken on the Conti Palace. It would be unrealistic to think that this mismatch only concerns the Institute, because of the interdependence between the Quai de Conti institutions. This observation is, however, disputed by the academies, which refuse, for example, to participate in the financing of the investments necessary for the restoration of the Conti Palace.

The Institute and the academies must thoroughly reconsider their financial strategy in order to free up the necessary resources for the professionalisation of their management and the maintenance of their artistic and cultural heritage. They can achieve this by using the following levers:

- decompartmentalising the foundations as much as possible to finance investment costs;
- reviewing the distribution of the expenses related to the services provided by the Institute to the academies, and the cost of renovating the Conti Palace;
- re-examining the system of management fees levied on sheltered foundations.

It is up to the Institute and the academies to solve a financial equation which is now proving problematic, using their own resources and assets (in total approximately €434 million of available reserves).

The State has just provided exceptional and significant support to the Chantilly Estate (at least €4.5 M) to cover the consequences of the health crisis and the withdrawal of the Aga Khan. Such support is a major change from the rule that the Institute and the academies, which are very richly endowed, are supposed to meet their borrowing requirements from the income of their assets. The State's exceptional support highlights, if proof were necessary, the urgent need for the Institute and the academies to reform their management.

Summary of recommendations

The following summary is organised into six themes.

Governance

1. Clarify the Institute's management and administrative decision-making bodies (*Institute, academies*).
2. Further integrate the management of support functions (human resources management, heritage and works, rental property, legal affairs, contracts, administrative management of foundations, conservation of collections, archives) (*Institute, academies*).

The legal framework

3. Apply all the relevant provisions which regulate the budget, financial accounting and human resources management of public bodies to the Institute and the academies (*Institute, academies, General Directorate for Public Finances, General Directorate for Higher Education and Professional Integration, General Directorate for Administration and Civil Service*).

Gift management

4. Draw up an inventory of the foundations, evaluate the associated expenses and reform their management and the system of fees levied (*Institute, academies*).
5. In the interest of donors, provide a legislative basis to the option available for the Institute and the academies to house foundations and to benefit from the provisions of the French General Tax Code applicable to public interest foundations (*General Directorate for Public Finances, Directorate for Civil Liberties and Legal Affairs, General Directorate for Higher Education and Professional Integration, Institute, academies*).
6. Adopt a foundation charter shared by the Institute and the academies, specifying the rules applicable to their ethical, financial and accounting control (*Institute, academies*).

Real estate policy

7. Establish a real estate strategy and a multi-year priority work plan (*Institute, academies*).

Human resources management

8. Align the management framework for academy contract staff with that of Institute staff (*Institute, academies*).

Conservation of artistic and cultural heritage

9. Review the legal regime for archives and ensure they are secure as a matter of urgency (*Institute, academies*).
10. Create, within the Institute, a common centre of expertise in terms of conserving the heritage and protecting the collections of the Institute and academies (*Institute, academies*).
11. Obtain the designation of "musée de France" for the most important museum sites (*Institute, Academy of Fine Arts, Academy of Sciences*).

12. Set up a management dialogue with the concessionaires, including effective documentary and on-the-spot control (*Institute, Academy of Fine Arts, Academy of Sciences*).
13. Establish a sustainable business model for the management of the Chantilly Estate (*Institute*).

Financial strategy

14. Secure the financial chain and make it more reliable; improve the quality and transparency of financial and accounting information (*Institute, academies*).
15. Have the accounts of the Institute, academies and main foundations certified (*Institute, academies*).
16. Set up an overall wealth strategy and professionalise the management of financial and real estate assets (*Institute, academies*).
17. Focus on long-term management of financial investment portfolios (*Institute, academies*).
18. Strengthen, as much as possible, the fungibility of resources and the financial solidarity of the Quai de Conti institutions (*Institute, academies*).
19. Establish conditionality criteria for State co-financing of work on the Institute's and academies' monuments (*General Directorate for Heritage and Architecture, Directorate for State Real Estate*).

Recommendations 11 and 15 were already included in the report released by the Court in 2015 and are reiterated in this report.