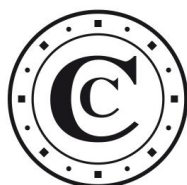


Cour des comptes



# THE WORK OF THE DIRECTORATE GENERAL OF PUBLIC FINANCES WITH LOCAL AUTHORITIES

Communication to the Senate Finance Committee

December 2023

# Executive Summary

The Directorate General of Public Finances (DGFIP), created in 2008 by the merger of the Directorate General of Taxation and the Directorate General of Public Accounting, is responsible for both taxation (assessment and collection of taxes and other public revenues) and public management (control and payment of expenditure by the State, local authorities and hospitals, accounting management).

In 2019, the decentralised network of the DGFIP covering these two functions comprised 3,499 departments located throughout France, a number that is expected to fall to 1,761 by 2025 following the completion of the restructuring project undertaken by the DGFIP. Approximately 93,000 employees are assigned to this body, 85% of whom work in its decentralised network, which is mainly focused on local public management and tax services, with a strong emphasis on contact with individual and professional taxpayers and local authorities.

At the request of the Senate Finance Committee, the Court examined the DGFIP's work with the local authorities (municipalities and intermunicipal authorities for cooperation between local authorities (EPCI)), paying particular attention to relations with rural municipalities. Its investigation was based on interviews at central administration level, visits to two rural departments, responses to its questionnaires and other documents produced at its request, as well as the processing of 1,884 responses to a survey of municipalities and EPCIs.

## A key authority in the financial management of local authorities

The DGFIP is a major player in the financial operations of local authorities and their public establishments. It is responsible for collecting local authority revenues, making the resulting financial resources available, paying their expenditure, managing their accounts and administering the land registry records. These tasks are all the more important for local authorities, particularly rural municipalities, as the vast majority of them have limited human resources in these areas.

Advance payments of direct local taxes are made on time in over 98% of cases. Based on the Court's survey of a representative sample of local authorities, it appears that they are satisfied with this function. They regret, however, that they are not always aware of the amount of funding that will be allocated to them when they prepare their budgets. More than two-thirds of the municipalities surveyed by the Court also expressed a strong expectation of support from the DGFIP in implementing the new M57 budgetary and accounting framework. They would like greater support for authorising departments in controlling the phases of expenditure for which they are responsible, particularly through partnership commitments or accounting and financial service agreements.

Maintaining and improving the reliability of land registry records is one of the core tasks of the land services departments of departmental and regional directorates of public finances. The development of the "innovative land services" project enabled more than 125,000 records to be updated in June 2023. At the same time, the implementation of the "Manage my property" online service for private individuals and the overhaul of the premises appraisal tools used by DGFIP staff were successfully completed. However, despite these positive developments, the local authorities consulted by the Court are still waiting for an improvement in the services offered by the tax authorities with regard to property management and land registry matters, particularly in terms of response times.

## The ongoing consolidation of the DGFIP's regional network

On 6 June 2019, the minister for public accounts announced the implementation of a “revised geographical structure” of the DGFIP's offices, a project subsequently renamed the “new local network” (NRP), in response to a twofold observation:

- the service provided to users, particularly private individuals, required modernisation, given the development of digital tools;
- the unsuccessful nature of previous reorganisations of the decentralised network, marked before 2019 by the closure each year of “small” local finance offices, particularly those with no more than five employees.

The “new local network” has been designed to better meet user needs for local services while rebalancing the Directorate General's regional network. In total, the number of municipalities in which the DGFIP has a presence, even temporarily, should rise from 1,977 in 2019 to more than 2,570 by the end of 2023 (the target set in the “contract of objectives and means”), an increase of more than 30 %. This target has now been exceeded: at the end of 2022, 2,975 municipalities had a DGFIP presence. This number should rise to around 3,000 by the end of 2023. At the same time, the number of accounting posts is expected to halve from 3,499 to 1,761 at the end of the reorganisation scheduled for 2025. New entities, the Accounting Management Services (SGC), should bring together the former local finance offices; a new function, that of advisor to local decision-makers (CDL), should be created to provide elected representatives with support in financial, tax, budgetary and accounting matters.

This apparent contradiction between a consolidation of the network and an increase in the number of municipalities with a DGFIP presence is due to the growth in local contact points at France Services spaces (2,601 by November 2023) and in town halls (400 regular service points). In addition, users now have the option of paying their tax liabilities via the tobacconist network (15,043 locations in mid-October 2023), although this network is not counted as a DGFIP ‘presence’ in the statistics.

## A comprehensive, multi-year and concerted approach

The reorganisation process launched with the “new local network” is more ambitious than previous attempts. It is based on a desire to jointly improve the way the public is served and the relationship of proximity with local authorities, as reflected in the Directorate General's first “contract of objectives and means” covering the period 2020-2022.

The multi-year approach is based on quantified targets for the establishment of new units by 2026, the end of the NRP programme. However, the bulk of the reorganisations are scheduled to take place by the end of 2023. They were the subject of extensive consultation with local elected representatives, trade unions and all DGFIP staff. Maps of the proposed locations formed the basis of the consultation process, which was conducted by the local directors of the DGFIP in conjunction with the prefects. Consultations with staff and trade unions were also carried out, with several letters and messages sent to staff and the setting up of internal working groups.

The target plans were then formalised in departmental charters. These charters, prepared by the departmental director of public finances and presented to the elected representatives (chairs of departmental councils and/or inter-municipality councils) were not signed in all departments, but the consultation process led to substantial changes to the initial plans, with the creation of 180 additional local service points and more direct DGFIP services than initially envisaged (+15 % taking into account the branches created).

## Deployment of new entities broadly in line with objectives and schedule

The deployment of the “new local network”, which is nearing completion, is broadly in line with the objectives of the reform and the planned schedule.

The rate of consolidation of the network, whose initial objective in the first iteration of the service plan was to eliminate half of the entities by 2019, has fallen slightly short but remains high, with a 42 % reduction in the number of units. Consultation with elected representatives has resulted in some units being maintained in sparsely populated areas, or in the creation of temporary (53) or permanent (263) branches.

These reorganisations have enabled staff to be grouped together in larger entities. As a result, the average number of staff in decentralised services (of all types) has risen from 15 to 22. At the same time, the number of smaller entities has fallen significantly, boosting the DGFIP’s ability to guarantee a more uniform quality of service throughout the country. Whereas there were more than 600 in 2016, only around a hundred units with fewer than five employees will remain after the reform, 60 % of which will be branches of larger units.

97.5 % of the target network (resulting from both the abolition and creation of entities) is in place as at 31 December 2023.

At the same time, the DGFIP’s involvement in the “France services” network is also in line with forecasts: by the end of 2023, it is scheduled to have a presence at more than 2,601 official locations. The majority of these sites are in rural areas and in priority neighbourhoods for urban policy.

The rural municipalities consulted by the Court expressed the most reservations about this new location plan. Only 31 % consider it to be completely or somewhat relevant. In fact, the closure of small local finance offices is sometimes seen as a symptom of the State’s withdrawal from these areas, with the loss of expert local contact on budgetary and financial issues, against a backdrop of tension currently observed in the recruitment and training of council officials. This consolidation of the network must be set against the quality of the service provided and its perception by local authorities, which cannot be fully evaluated until the deployment of advisers to local decision-makers (CDL) and accounting management services (SGC) is complete.

Appointments of CDLs progressed at a sustained rate from 2020 to 2023. In December 2023, 917 agents were in post, with the target set at 993 CDLs nationwide. This target has been progressively adjusted by the DGFIP on the basis of an analysis carried out locally by the departmental public finance directorates to take account of the size of the public inter-municipal cooperative establishments (EPCI), the number of municipalities within their jurisdiction and the diversity of the functions they perform. Eventually, all local authorities should have a CDL, who can be the point of contact for several EPCIs.

The survey carried out by the Court in September 2023 already shows that CDLs are valued highly by 90 % of municipalities, particularly in rural areas where they play an important role among council officials. Their budgetary, tax and financial analysis work is appreciated by 90 % of the local authorities surveyed.

## A far-reaching transformation of the network, with a number of issues to be monitored until the process is complete

This reform has resulted in an in-depth transformation of the DGFIP’s decentralised network. It has been carried out within a tight timescale and has resulted in adjustments to staffing levels that are key to achieving the expected efficiency gains. It has been accompanied by the introduction of new points of contact for local elected representatives - advisers to local

decision-makers - and more diversified forms of DGFIP presence in the regions (branches, France Services points, etc.).

While it is too early to draw up a definitive assessment of the restructuring operations, the ambition of the reform, the approach and the scale of the transformations carried out are worthy of note.

The local authorities consulted by the Court as part of this survey nonetheless highlighted points for attention regarding the quality of service provided by the DGFIP within the framework of this now consolidated network. Expectations are particularly high among rural municipalities, which operate with smaller teams and need to train and support their council officials in budgetary, accounting and financial matters.

The Court stresses that if the project is to be completed successfully, it will be necessary to:

- carry out an assessment in 2024 of the deployment of advisors to local decision-makers and their links with the accounting management services, with regard to the expectations of local councillors and their relations with them;
- increase the involvement of the DGFIP at France Services points;
- supplement the tools used to measure user satisfaction with surveys to measure the access difficulties faced by certain sections of the population who are not familiar with electronic tools.

To this end, the Court of Accounts makes the three recommendations listed below.

## Recommendations

1. From 2024, carry out a review of the deployment of advisors to local decision-makers and the links between these advisors and the accounting management departments with regard to their relations with local elected representatives. (*ministry of the economy, finance and industrial and digital sovereignty*).
2. Increase the involvement of the DGFIP at France Services points as part of an effort to pool resources, while being attentive to the needs expressed. (*ministry of the economy, finance and industrial and digital sovereignty*).
3. Supplement the tools used to measure user satisfaction with surveys to measure the access difficulties faced by certain sections of the population who are not familiar with electronic tools. (*ministry of the economy, finance and industrial and digital sovereignty*).