

2019 ANNUAL PUBLIC REPORT

Observations

Summaries

These summaries are intended to facilitate the understanding and use of the report produced by the Cour des comptes.

Only the original report is legally binding on the Cour des comptes.

The responses of the administrations and government authorities concerned appear after the report.

The order of the summaries corresponds to the order of the chapters of the report.

Introduction

Made public for the first time in 1832, the annual Cour des comptes report is the preferred means of publicising the works of the Cour des comptes' and of the regional and territorial courts of audit, as well as the lessons to be drawn from them. In 2019, it covers a very broad scope of public action with a view to identifying its progress and successes. It also underlines which risks must be managed in order to improve its effectivity and efficiency.

The 2019 annual public report is comprised of three volumes:

- Volume I sets out the findings and recommendations drawn from a selection of audits and investigations carried out in 2018 by the Cour and by the regional and territorial courts of audit;
- Volume II presents how the audited administrations, authorities and other bodies have responded to the findings and recommendations made over the previous years by the Cour and the regional and territorial courts of audit;
- Volume III describes the organisation and the missions of financial jurisdictions, as well as their activity in 2018.

The Budgetary and Financial Discipline Court's annual report is appended to these three volumes.

This booklet contains the summaries of the eleven sections from Volume I "Findings". They are organized into the themes:

- Chapter I: Public finance (1);
- Chapter II: Public policy (3);
- Chapter III: Public management (3);
- Chapter IV: Territories (4).

Summaries of the Cour des comptes 2019 Annual Public Report

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Chapter one

Public Finances

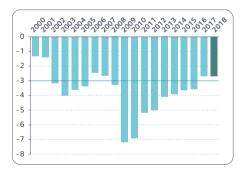
The overall situation of public finance (at the end of January 2019)



IIn 2018, headline and structural deficits remained high and the public debt-to-GDP ratio was still in slight increase

According to the Government's latest forecast, after eight years of uninterrupted decline, public deficit should settled at 2.7 GDP points in 2018, i.e. the same level as in 2017 (see graph below). Available data on 22 January 2019 suggest that this forecast should be reached.

The general government balance from 2000 to 2018 (in GDP points)



Source: Cour des comptes, based on Insee data up until 2017 and on the Government's forecast for 2018

According to the Government, structural deficit - i.e. the deficit excluding the impact of one-off factors and of conjuncture, would amount to 2.3 GDP points (see table). It does not appear to be in decline

compared with 2017. The evolution of expenditure would contribute towards reducing structural balance by 0.2 GDP points but the measures taken to reduce taxes and social security contributions would increase the deficit by an equivalent amount.

France would therefore remain guite far from its medium-term objective (MTO) achieving "structural balance", that is a structural deficit under 0.4 GDP points, a threshold that was set by the public finance programming bill of December 2014 and by that of January 2018. In addition, with the stability planned in 2018, structural balance would not comply with European rules, even when considering their margins for flexibility.

Breakdown of the general government balance in 2016, 2017 and 2018

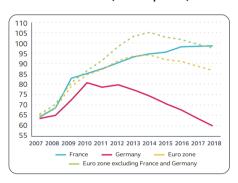
In % of GDP	2016	2017	2018
Actual Balance	-3.5	-2.7	-2.7
= Cyclical component	-0.9	-0.3	-0.1
+ One-off and temporary measures	-0.1	-0.1	-0.2
+ Structural balance	-2.6	-2.3	-2.3

Source: Cour des comptes based on the initial finance act for 2019 and data provided by the Ministry of Economy and of Finance.

N.B.: figures are rounded up to the nearest tenth, therefore there may be slight differences in the results of operations.

The public debt-to-GDP ratio has continued to increase and appears to have reached 98.7 GDP points. France's public debt therefore remains on a different trajectory to that of Germany and the Euro zone: the German public debt-to-GDP ratio has continued to decrease since 2012 and should return to the threshold of 60 GDP points in 2018; that of the rest of the Euro zone is in decline since 2015 and appears to have dropped under that of France in 2018 (graph below).

Public debt (in GDP points)



Source: Cour des comptes, based on Insee and Eurostat data up until 2017, and on the Government and the European Commission's forecast for 2018 (Ameco database)

In 2019, a headline deficit of over 3 GDP points, and particularly fragile public finance forecasts

The draft budget bill (DBB) for 2019, presented in September 2018,

provided for a public deficit of 2.8 GDP points, an increase of 0.2 points due, in particular, to the transformation of the competitiveness and employment tax credit to reduce social security contributions, which increased the deficit on a temporary and exceptional basis.

This forecast is affected by some uncertainties. First, the impact of implementing the personal income tax collection at source could affect general government balance by a €2bn increase or decrease . Secondly, the growth of local public administration investment could be higher than planned by the Government, given the abundance of savings they are expected to generate and the proximity of municipal elections.

The measures taken to support household purchasing power at the end of 2018 led to a 0.4 GDP-point increase in the Government's public deficit forecast - now 3.2 GDP points in 2019 - and in an equivalent manner, in the structural deficit forecast, which now appears stable at the very best.

These forecasts are also particularly fragile.

Indeed, only part of the measures promoting household purchasing power have been included in the finance act. Thus, the public deficit

¹ Cour des comptes, La situation et les perspectives des finances publiques (The situation and prospects of public finance). La Documentation française, June 2018, 181 p., available at www.ccomptes.fr.

forecast in the Initial Finance Act (IFA) does not take into consideration those measures which were voted immediately after the finance act, in the Act on emergency economic and social measures, when these measures deficit by €3.7Bn. increase the Fulfilment of this forecast therefore requires that the measures contained in the latter act are compensated for with the additional savings and revenues that the Government announced but which have not yet been transformed into legislative or regulatory provisions.

In addition, the macroeconomic scenario posed by the IFA, which is the same as that presented in September 2018 when the DBB was submitted, does not take into consideration the macroeconomic impact of the measures taken at the end of the year, nor, conversely, the deterioration of the economic situation having since occurred in Europe. In sum, though the French growth forecast on which the IFA is based, i.e. 1.7%, is not out of reach, it does run a serious risk of not being achieved.

Under such conditions, the Cour considers that it is essential that the Government present amending budget bills, as soon as possible, for the State and for social security, which exhaustively and genuinely include all the measures announced as well as the consequences of the

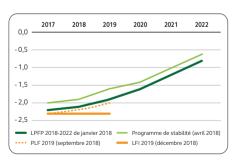
macroeconomic situation's evolution. Beyond this, it must update the public finance trajectory presented in the programming act of January 2018.

A notable worsening of the balance and of public debt which highlights the fragility of our public finances' recovery

The public finance prospects for 2019 attest to the fragility of its recovery carried out to date. Indeed, emergency measures aiming to face the social crisis were enough to bring the public deficit forecast over the threshold of 3 GDP points.

These have led the Government to not foresee any progress towards structural balance since 2017, when half of the countries in the Euro zone have already achieved such balance (see graph below).

Successive structural debt forecasts (in GDP points)



Source: Cour des comptes

Lastly, the new public deficit forecast pushes any perspective of a decrease in the public debt-to-GDP ratio to after 2019.

These observations merely confirm that France only has narrow budget margins to be able to face an economic downturn or a crisis situation, due to the incomplete nature of the consolidation of its public finances.

A sustained decrease in its headline and structural deficits is therefore imperative. Given the high level of tax and social security contributions, such consolidation necessarily involves better management of public expenditure, especially if it is to be accompanied by declining tax and social security contributions.

Chapter II

Public policies

- 1. Combating posting fraud: a strengthened legal framework, weaknesses as regards sanctions
- 2. The policy on space launchers: significant challenges to overcome
- 3. The policy on preventing healthcare-associated infections: a new hurdle



The investigation carried out by the Cour allowed it to observe the progress achieved since 2014, but also the large scope for improvement that still remains.

Posting is a special employment scheme that is little-known in terms of statistics

A special employment scheme

Pursuant to a European Directive of 1996, a posted worker is an employee whose employer is located in a Member State¹ and who carries out their work in another Member State for a limited term under the management of said employer. This employer must observe a "hard core" of rights in the country in which the employee is posted, and particularly pay him/her a salary at least equal to minimum wage and comply with legal working hours, break times and leave. In 2014, an implementing directive completed the 1996 directive, and a revision of said directive was also adopted in June 2018 and will be applicable as from mid-2020; it provides a framework for the duration of posting and widens the obligation to pay a wage at least equal to that of the locally-employed labour force to all wage levels.

Recourse to posted workers in growth but improperly measured until recently

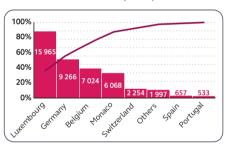
In 2016, France ranked 2nd of all European countries for the accommodation of posted workers, and 4th as regards the posting of workers abroad. Since 2010, in France, the number of employees posted abroad has stagnated. The European Commission recognises that this data is not exhaustive.

The French administration has only had solid figures on the number of posted employees in France since autumn 2016. In 2017, 516,000 has been identified. The sharp increase observed is both due to the implementation of a tele-declaration service prior to posting, to the strengthening of

¹ The Directive is applicable to all 28 European Union Member States as well as to the members of the European Free Trade Association (Norway, Iceland, Switzerland, Liechtenstein).

sanctions in case of non-performance of this mandatory formality and to the continued increase in resorting to posting observed within the European Union. These employees are concentrated around certain sectors (interim, construction industry, industry and agriculture); in particular, once interim employees are reclassified, the number of posted workers amounts to 22% of total employment in the agricultural sector. 8.5% of posted employees in France are French: 55% are posted by companies based in Luxembourg, Monaco or Switzerland.

Main countries posting French employees to France (2017)



Source: Cour des comptes according to data from the Directorate General of the Treasury

Posting fraud can take on three forms, which can be cumulative

Failure to complete formalities prior to posting

Over 1,000 administrative sanctions were issued by the labour inspectorate for this reason in 2017. This form of fraud, which was even more present in the past, harms the phenomenon's measurement and can suggest a desire to hide other irregularities.

Non-compliance with the "hard core" of national law applicable to posted employees

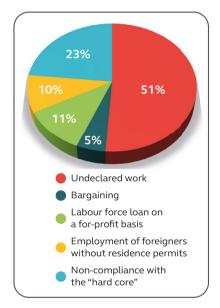
This situation represents one criminal offence in five observed by the labour inspectorate in 2016 and 2017. Fraud is concentrated around low-skilled jobs and mainly relates to citizens from countries with low labour costs, sometimes from outside of the European Union. Around 10% of posting offences identified by the labour inspectorate in 2016 and 2017 concerned the employment of foreigners without residence permits and were accompanied by offences for non-compliance with the "hard core" of national law. Combatting such types of fraud is both a matter of protecting the employees involved are sometimes subject undignified working conditions-and of combatting unfair social competition resulting from the working hours and wages practiced.

Complex fraud, and particularly establishment fraud

These are employees who should not have been governed by the posting scheme but who should instead have been directly employed in France. This is the most frequent form of fraud. It can affect employees from all sectors and at all levels and generally occurs through complex montages, with the employment of employees from countries with low labour costs by subsidiaries of companies established in countries with advantageous tax laws prior to posting. This form of fraud not only constitutes unfair social competition, but also results in the evasion of tax and social security contribution payments in France.

All such cases of fraud involve an end beneficiary located in France, whether private or public. Some cases of fraud are even organised from France, with illustrations of this being provided by the report.

Types of offences identified by the labour inspectorate (2016-2017 average)



Source: Cour des comptes according to data from the ${\it DGT}$

Belatedly rolled-out by France, the policy against posting fraud has produced its first results, which are still mixed

A now significant legislative arsenal

France has provided itself with suitable legislative means to combat posting fraud, mainly through three acts dated 2014, 2015 and 2016. The problem that is now posed is that of

the ability of inspection services and courts to implement such measures.

A priority assigned to the Labour Inspectorate

Pro-active targets have been set out for the labour inspectorate since 2015: 1,000 posting-related inspections per month, a target brought to 1,500 inspections in 2017. This last target was not achieved, but posting-related inspections form its third most important activity in terms of volume, with close to 14,900 inspections in 2016 and nearly 11,600 in 2017.

Mixed mobilisation from other stakeholders

The Central Office for Combating Illegal Employment also plays an important role for more complex cases of fraud. However, the URSSAF network is also receding, with very few cases handled (65 in 2016, 63 in 2017), and conditions that are not met in order to effectively verify that employees posted abroad pay their social contributions.

Significant progress is required in three priority areas

Leading a prevention policy

It is not the status of posted workers that poses an issue (especially as this status will be better framed by the application of the revised directive in June 2020), but rather the fraud that it gives rise to. As regards minimum wage, **where this right is respected**, it is no more economically beneficial for a company to use companies posting employees than to use the local labour force.

This situation and applicable law are not well enough understood by those in France that use companies posting employees, and who can be held liable in the event of fraud.

Focusing inspections for increased efficiency

Inspection services do not currently have a shared risk map, nor do they have a risk rating that would enable them to choose which investigations to conduct.

Bring procedures to fruition as regards sanctions

The involvement of foreign companies poses particular issues. The lack of relevant inspection authorities' right to access data on intra-Community VAT

puts a brake on the characterisation of complex cases of fraud.

Between 2014 and 2016, for 1,200 cases directed to the government prosecutor's office per year, less than 3,000 resulted in criminal prosecution. The prison sentences provided for by the Labour Code are rarely applied. Furthermore, France ranks 24th out of 30 countries in the internal market in terms of the timeliness of responses provided to requests for information from its counterparts on problematic posting.

Recommendations

The Cour issues the following recommendations:

For a better understanding of posting

- 1. (Ministries in charge of labour and of the economy) organise the measurement and the joint statistical analysis of the number of posted workers, its evolution and its breakdown across the most affected geographical areas and economic sectors;
- 2. (Ministries in charge of labour, of the economy, of social security, of justice and of public service) improve the knowledge possessed by companies, employees and public servants as regards the legal regime applicable to the posting of workers and the sanctions incurred to prevent misuse of this status.

For a more efficient conduct of inspections and surveys

- **3.** (Ministry in charge of labour) better target the inspections carried out by the labour inspectorate through a risk rating;
- **4.** (Acoss) ensure that the procedure for contribution adjustments related to posting fraud are applied in compliance with European law and increase the number of checks in this area;

5. (Ministries in charge of labour, of social security, of justice, of the interior and of action, and of public accounts) improve coordination between departments, by ensuring the exchange of files and by creating a shared map of fraud risks.

For effective and more dissuasive sanctions

- **6.** (Ministries in charge of European affairs, public accounts and labour) ensure that inspection authorities have access to data on intra-Community VAT, in conjunction with tax departments, through bilateral agreements or the new European Labour Authority;
- 7. (Ministries in charge of labour, of the interior and of justice) improve administrative and penal sanctions applied in case of fraud, particularly as regards the closing of worksites or of establishments and bringing the principal and the client's liability into question;
- **8.** (Ministry of labour) accelerate, without delay, France's response times to requests for information from its European counterparts.



In its 2014 annual public report, the Cour had warned of two major challenges faced by the space policy as regards launchers: the need to reduce costs to sustainably ensure the competitiveness of the Ariane family and the weakness of European contributions towards funding the Kourou spaceport. Five years later, the Cour notes that the situation has worsened.

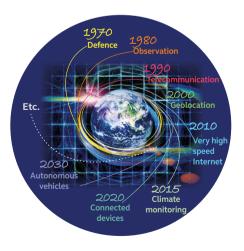
Sovereign access to space is of more strategic importance than ever to Europe

For several decades now, France has promoted the strategic importance of sovereign access to space before its European partners, in order to avoid dependency on a third power to send satellites into orbit. This issue is all the more important to France as there is a strong historical synergy between Ariane launchers and ballistic missiles.

This resulted in the emergence of the European space policy, with the development of the Ariane family, led within the interstate context of the European Space Agency. The latter secured Arianespace the leading position in the global commercial marketplace for over two decades.

The emergence of new applications in all fields of human activity and possible through spatial technology - referred to by the term "New Space" - has endowed sovereign access to space with more strategic importance than ever before, not only for France but also for Europe. Indeed, we are currently witnessing a digital revolution marked by a wealth of connected devices and an abundance of data exchanges. These have potential for growth that spatial technology would help in seizing.

New spatial applications



Source: Cour des comptes

This strategic challenge is the subject of heightened competition between major powers. The United States therefore sparked the emergence of SpaceX, a company that quickly took many market shares, through a massive public financial effort. European initiatives attest dawning awareness $\circ f$ this new competitiveness challenge, particularly through the European Union's desire to increase the portion of its budget allocated to space and to develop a space regulation enabling all stakeholders to work together more effectively.

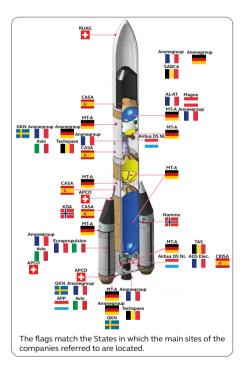
The Ariane 6 launcher must evolve to preserve its competitivity

In 2017, Arianespace lost the leading position in the global commercial marketplace to American company SpaceX. This competitor's economic model is based on the technological breakthrough of reusable solutions, massive public financial support from the United States and industrial integration.

Faced with this, in 2014, the European Space Agency's response was to fund the development of a new Ariane 6 launcher, costing €4bn, half of the cost of which was borne by France. The economic model of this new launcher, based on more responsibilities entrusted to industrials in order to reduce costs, attempts to reconcile: European strategic interest in sovereign access to space; promotion of the European Space policy through an industrial sharing arrangement based on fair geographic return; and the need to be competitive.

However, this new launcher is not a sustainable response in order to be competitive in a stagnant commercial market, certain characteristics of which - such as the fixing of prices in dollars - are spontaneously advantageous to American competitors.

Geographic return for Ariane 6



Source: Arianespace

French and European public authorities must therefore take decisions to develop Ariane 6 quickly. On the one hand, they will be asked to fund the technological innovation that should enable this launcher to evolve, in an incremental way, towards reusable technology. On the other, they will be asked to support the operation of Arianespace, which should be pursued through other

means than balancing subsidies: the placing of pluriannual orders to Arianespace, for the launch of satellites funded by European States, the European Space Agency and the European Union, as well as the easing of rules on geographic return, could be useful in such a context.

Budget risks inherent to the space policy should be better anticipated

Being aware of the stakes, at the end of 2017, French public authorities decided to increase budgetary allocations for the payment of French contributions to the European Space Agency by €895m between 2018 and 2020, with a large proportion of these contributions benefitting launchers.

France therefore reduced its payment backlog towards the Agency, however this budget effort was made at the expense of other aspects of the French space policy, and particularly those relating to "New Space", for which allocations were reduced by €229m between 2018 and 2022 in comparison with its previous trajectory, which poses a significant crowding-out risk. In order to limit this risk, any future public funding that may be awarded to launchers must be directed towards supporting innovation and not towards balancing subsidies.

Furthermore, the substantial budgetary effort made at the end of 2017 allows us to consider the prospect of clearing France's backlog in payments to the European Space Agency by 2020. It is vital, both for

proper budget management and for the credibility of its commitments, that France stop resorting to payment backlogs to fund its contribution. To limit this risk, the space policy's budget programme must be improved by resorting to the multiannual programming of allotments, in order to suitably cover the commitments made by France within the Agency.

Increased participation must be sought from European partners

Sovereign access to space being a strategic point for Europeans, if they wish to have a presence in the "New Space" economy, and the base in Kourou being recognised as the "European Spaceport", it is legitimate for France to argue for a larger participation from all European stakeholders towards this policy, given that it is currently making the most effort in terms of budget.

This joint European financial effort must relate to both the development of the Ariane 6 launcher and to funding the spaceport's modernisation and operation, by renegotiating the Kourou agreements within the European Space Agency. This effort must be shared by all European stakeholders, including the European Union itself.

The National Centre for Space Studies (Centre national d'études spatiales, CNES) which operates the Kourou centre, must also refocus its operational core activity: ensure the reliability of launches, modernise infrastructures to prepare to accommodate Ariane 6 and improve the European spaceport's competitiveness. To do this, the CNES must put an end to the ineffective

sprinkling of subsidies to assist the territory, by leaving the responsibility of steering and managing development projects to the State. Said development projects, which are financially backed by the CNES, would be included in the State/Territorial community of French Guiana planning contract.

This action to assist the territory, supported by European funds where necessary, should place emphasis on training space technicians and engineers in order to enable French Guiana to fully profit from the effects of the European spaceport's presence on its land.

Recommendations

The Cour issues six recommendations to public authorities:

- 1. where new public funds are to be allocated in support of the launcher family, give priority to technological innovation rather than support to operation;
- **2.** seek further involvement from European partners and the European Union itself;
- **3.** put a definite end to the practice of backlogs in payments to the European Space Agency;
- **4.** improve the space policy's budget programming by programming allotments to budget programme

- 193 "Space Research" of the "Higher education and research" mission on a multiannual basis:
- **5.** during the 2019 European Space Agency ministerial meeting, suggest an ambitious plan to modernise Europe's spaceport and guide the Kourou agreements towards a larger European participation towards funding the spatial centre;
- **6.** refocus the spaceport around its core activity, by leaving the responsibility of steering and managing French Guiana's development projects to the State, with financial support from the CNES.



The policy on preventing healthcare-associated infections: a new hurdle

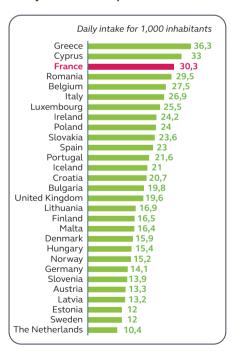
The new challenges in the fight against healthcare-associated infections

The policy on preventing healthcare-associated infections was implemented around thirty years ago in health institutions (nosocomial infections). Today, it has reached a new level: the prevalence of hospitalised patients infected in such a manner has not decreased since 2006 and remains fixed at around 5% (1 hospitalised patient in 20). This represents approximately 470,000 infections per year, the consequences of which can be dire in particular for the most vulnerable patients. These are said to be the direct cause of 4,000 deaths in France.

New challenges must now be taken into consideration. Whilst the prevention of such infections remains focused hospital establishments, around the new 2015 national prevention programme aims to take consideration the entire health path, whether in health institutions, medical and social institutions or non-hospital care. Furthermore, emphasis is placed on combatting antibiotic resistance, which results in a lack of effectiveness

of antibiotics to treat infections. This health threat is the result of excessive human consumption of antibiotics, mainly in non-hospital environments, which places France among the three biggest consumers in Europe.

Total volume of antibiotics prescribed for daily intake in European Union in 2016



Source: Directorate-General of the Treasury (Trésor-Eco no. 215 February 2018) on the ECDC database

The policy on preventing healthcare-associated infections: a new hurdle

A reorganisation of public action to successfully complete

In hospitals, progress can still be made in the monitoring of healthcare-associated infections. Operational hygiene teams could be better sized based on activity and pooled in the case of territorial hospital groupings. As regards reporting infections to public authorities, which remains partial (only 700 institutions out of 2,700 reported cases during the year), a more rigorous and exhaustive monitoring of non-reporting institutions should be put in place.

In non-hospital environments, no study into the prevalence of this risk of infection has yet been carried out. In the medical and social sector, the improved management of the risk of infection is still in its early stages.

As part of the health vigilance reform, the creation of a centre for the prevention of healthcare-associated infections in each region in 2017 will allow for better coordination with regional health agencies and with the other aspects of patient safety. However, their implementation is incomplete. Their national steering, carried out by Santé Publique France, could be clarified and improved.

Hold stakeholders in the healthcare system accountable

Healthcare stakeholders must rally more around compliance with

hygiene rules: these are little taught (maximum of 8h of training for a medical students during the first five years) and are still neglected all too often. The vaccination rate among health professionals is still too low.

Antibiotic prescriptions in non-hospital environments are not always justified. However, when they are, the choice of molecule and especially of duration are not necessarily. The dispensation method "by the box" amplifies this wide-scale misuse. The professional practices of general practitioners must evolve: their knowledge must necessarily be brought up-to-date, the use of quick diagnostic tests must be more systematic, the use of prescription assistance software must be generalised, and the practice of cross-checking must be developed. An awareness campaign targeting the public must be carried out.

Quality indicators relating to healthcare-associated infections are not used enough by regional health agencies, who should focus inspections on institutions with very bad results, on a recurring basis, and where necessary, suspend their authorisation to practice. Mechanisms promoting more accountability could be set up for compensation for healthcare-associated infections. The current compensation scheme, which is very fractured, must adapt to healthcare organised into paths and according to more ambulatory arrangements.

The policy on preventing healthcare-associated infections: a new hurdle

Recommendations

The Cour issues the following recommendations to the Directorates of the Ministry of Solidarity and of Health, to Santé Publique France and to the Caisse nationale d'assurance maladie (National Health Insurance Fund):

- 1. carry out a national study on the prevalence of healthcare-associated infections in the non-hospital care sector, where necessary with a suitable methodology, in order to target high-risk sectors and determine which actions should be developed;
- 2. explicitly entrust Santé Publique France, a public institution placed under the authority of the Ministry of Health, with the coordination of CPIAS' (Centres for the Prevention of Healthcare-Associated Infections) missions and means of action;
- **3.** Implement a variety of measures in a more directive manner aiming to reduce the consumption of antibiotics (use of prescription assistance software, dispensation of antibiotics per unit, cross-checking of antibiotic prescriptions issued by general practitioners by EHPAD (nursing home) coordinating

doctors, mandatory continuous training of doctors, awareness campaign targeting the public) and to ensure effectiveness by using the tool called "remuneration based on public health-care objectives" (RPHO);

- **4.** grant priority to inspections/ checks carried out on regional health agencies (RHA) and healthcare institutions with a D or E classification based on the healthcare-associated infection indicators developed by the National Authority for Health, and draw all relevant conclusions in terms of operation, without excluding the suspension of authorisations to practice;
- **5.** review the sizing and composition criteria for operational hygiene teams in healthcare institutions based on their activity and on international recommendations, and, for public hospitals, pool these teams as part of territorial hospital groupings;
- **6.** reconsider suspending the obligation to vaccinate against influenza for healthcare professionals (recommendation reiterated).

Chapter III

Public management

- 1. AGIRC-ARRCO's social action: a scheme that should be refocused
- 2. Funeral operation management: a reform that should be continued
- 3. Mobilier National et Manufactures Nationales des Gobelins, de Beauvais et de la Savonnerie: an institution at the end of its rope



1 AGIRC-ARRCO's social action: a scheme that should be refocused

Supplementary pension schemes private-sector emplovees. grouped within AGIRC-ARCCO, have implemented a long-standing social action strategy. This is still littleknown of among our fellow citizens. Such action is funded by levies on employee pension contributions. This social action is managed, under the supervision of AGIRC-ARRCO, by supplementary pension institutions (SPI), brought together within social protection groups who also act within a competitive framework (particularly providence).

Social action is insufficiently focused and checked

The field that AGIRC-ARRCO finances covers all areas of social action: historically focused on retirees, it has progressively broadened to include "caretakers" as well as the unemployed, through return-to-work aid, but it also extends to disabilities, holiday assistance or schooling assistance. This expansion of its target audience has increased potential beneficiaries to 80% of the French population, i.e. 53 million people, thereby bringing into question the criteria for and the fairness of the distribution of aid.

Amount of aid granted (in millions of euros)

	2012	2013	2014	2015	2016	2017	2017/2012
<u>Individual</u> <u>aids</u>	71.9	68.9	59.1	45.8	44.4	41.5	-43.2%
Collective <u>funding</u>	102.9	114.4	109.8	121.2	135.4	143.8	+39.7%
<u>Pooled</u> actions	37.7	26.8	23.3	25	23.9	26.6	-29.4
Total	212.5	210.1	192.2	192	203.7	211.9	-0.28%

Source: Cour des comptes according to data from AGIRC-ARRCO

This social action takes on varied forms, such as individual aid, subsidies granted to associations, social or medical and social establishments or other bodies ("collective funding"), service platforms ("pooled actions") and phone reception.

The AGIRC-ARRCO federation has set out "priority guidelines" but these have little impact on the social action policy within groups, who have their own priorities. The methods of control implemented by the federation are limited. For its

AGIRC-ARRCO's social action: a scheme that should be refocused

part, the State has not signed any agreement with AGIRC-ARRCO. Nor are actions coordinated with other social action stakeholders.

Disproportionate management costs, an excessive drain on pension contributions

AGIRC-ARRCO has committed to efforts to reduce the management costs of its social action, however these remain very high (€106m in 2017). The total workforce allocated to social action is 1,000 full-time equivalent employees. Management costs represent 50% of all financial aid granted (€212m). This high ratio is partly a reflection of the organisation choices made by AGIRC-ARRCO to handle a large part of individual aid management, without subcontracting to external structures. Given this choice. AGIRC-ARRCO grants twice as less aid than the CNAV with a workforce twice as large.

Every year, social action accounts, which fed by levies are supplementary pension contributions and through financial income and extraordinary income, generate surpluses that contribute towards building the amount in social action reserves (€1.3m in 2017). These are not necessary to the activity and are designed to be repaid into reserves for pension operations. However, they are partly capitalised into acquiring the walls of social and medical and social establishments, the possession of which must be reassessed.

Social action that should be rationalised and refocused around retirees

The procedures to award individual and collective aid have been improved, however this does not prevent some cases in which aids from AGIRC-ARRCO are accumulated, nor cases in which subsidies which do not fall within the field of social action or which benefit the competitive activities of social protection groups are allocated. These efforts must therefore be continued.

Furthermore, AGIRC-ARRCO's interventions are not transparent enough and are rarely assessed, which begs the question of fairness in the distribution of aids and of their effectiveness as regards the needs of a very large public. The source of the funds is not always indicated by managers and beneficiaries, and the list of subsidies awarded are not known to the public, nor to AGIRC-ARRCO itself.

Interventions in the field of social and medical and social establishments lack clarity. In particular, they result in the counting of "reserved rights" representing the privileged right to access that establishments benefitting from aids possess, and which brings into question the respect of the principle of equal access for these establishments benefitting from public financing.

Lastly, AGIRC-ARRCO's social action should be refocused around retirees, in order to avoid diluting its actions through a multitude of interventions for which other stakeholders are both better equipped and more legitimate..

AGIRC-ARRCO's social action: a scheme that should be refocused

Recommendations

The Cour issues the following recommendations to AGIRC-ARRCO and Social Protection Groups (SPG):

- **1.** reduce levies on pension contributions (AGIRC-ARRCO);
- **2.** tighten the financial framework of social action (AGIRC-ARRCO and SPG):
 - by decreasing management costs, and particularly the workforce employed,
 - by ensuring the proper distribution of group support function costs between competitive (providence) and non-competitive activities (pension and social action),

- by establishing a new notable cap
- **3.** refocus aids granted to retirees and ensure that potential beneficiaries have better knowledge of any aids that they can claim (AGIRC-ARRCO and SPG);
- **4.** improve cooperation with bodies operating in the social action sector, particularly the CNAV and territorial authorities (AGIRC-ARRCO);
- **5.** put an end to the "reserved rights" scheme which gives priority access to accommodation establishments benefitting from social action subsidies (AGIRC-ARRCO).

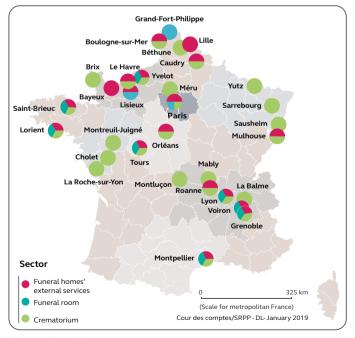


2 Funeral operation management: a reform that should be continued

Every year, the public service of funeral operations organises over 500,000 funeral ceremonies. Its operating arrangements were reviewed in-depth in 1993. To put an end to a "hopeless situation", the legislator set out three inseparable objectives: abolish the municipal monopoly of funeral services and establish competition between duly authorised operators; redefine the public service mission and take measures to ensure it is respected by

operators; protect families and ensure price transparency. Twenty-five years after the "Sueur Act" entered into force, the Cour and twelve regional courts of audit have carried out a study to assess the consequences of the law from the families' point of view. With this in mind, the analysis carried out by the financial courts focused on checking the "external service" provided by public authorities, and their operators, whether public or private.

Funeral services inspected by financial courts in metropolitan France



Source: Cour des comptes

¹ Versus the "internal service", i.e. ceremonies organised within places of worship.

Funeral operation management: a reform that should be continued

A diverse offer, both in terms of operators and of services

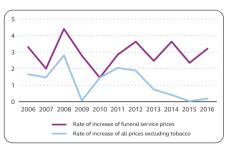
At the end of the 1980's, the funeral was dominated operator in the market since the middle of the 19th century. Although opening competition did promote the development of small and mediumsized companies, over the last few years, the sector has been once again impacted by a concentration movement. Under such circumstances. the place held by public authorities and their operators has continued to decline: their share dropped from 20% of authorised operators prior to the implementation of the reform in 1993 to 7% in 2016. However, some large public authorities have maintained their involvement in the funeral sector, with varying positions according to their sphere of influence, with several semi-public companies (Société d'économie mixte, SEM) or local public companies (société publique locale, SPL) performing up to 70% of all convoys within their area.

At the same time, the public services offered to families have become significantly broader. Funeral homes crematoriums have developed across the territory. Digital technology has also contributed to disseminate new services and has made certain procedures easier. Lastly, in the last ten years, the number of individuals having subscribed to funeral contracts has more than doubled. Whilst they are presented to subscribers as a means to take the burden off loved ones, these contracts merely allow them to build up a provision, which will often need to be supplemented, without the subscriber having been informed.

The persistence of many obstacles for grieving families

Families must undertake many steps and make choices that are sometimes difficult in a period during which they are very vulnerable and in a very short time, even when they wish to be more involved in the running of the ceremony. However, the conditions in which they must act, at every stage of the process, are not always satisfactory. They sometimes suffer the anti-competitive practices of some operators, and particularly funeral homes, and they may encounter specific difficulties in the organisation of a cremation ceremony. Lastly, the strengthening of provisions aiming to shed light on their choices has not yet allowed them to benefit from an evolution in the cost of services towards a better match with the cost of other market services.

Evolution of the index of funeral service prices compared with that of inflation excluding tobacco (2006 to 2016)



Source: Insee

Financial courts have sought to assess public operators' price positioning by promoting a comparison based on unit prices for main services, rather than average costs, the level of which varies

Funeral operation management: a reform that should be continued

according to the nature and the quality of the services selected. The price policies practiced by public operators appear quite favourable, however this observation should be tempered: the cost of services is sometimes under-evaluated when financial flows generated by the different services on offer are not properly identified. Situations in which prices could be still lower without threatening the financial equilibrium of services, have also been highlighted.

National and local authorities must take full responsibility with regard to oversight

Due to the specific nature of the activity, in 1993, the legislator considered that the opening of competition should be

accompanied by a clear reaffirmation of its public service nature. This required that public authorities ensure that the general framework in which the profession is practiced is adapted to social practices and that this framework is obeyed by operators. However, national council for funeral operations, which is in charge of this, has experienced recurring operating difficulties. Furthermore, the Cour has observed a certain shortcoming in the coordination of decentralised services. The organisation methods in place in prefectures do not allow them to perform in a satisfactory manner their mission of issuing accreditations to operators and authorisations for the creation of equipment, except in a few cases. Lastly, as in other activity sectors, controls on services delegated by authorities are still insufficient.

Funeral operation management: a reform that should be continued

Recommendations

The Cour issues the following recommendations:

To the State:

- **1.** Digitise funeral operators' accreditation requests, based on a unified file for the entire national territory, and authorise operators to make changes online;
- **2.** subject the renewal of funeral operators' accreditations to the regular transmission of standard quotes;
- **3.** reform the decree of 23 August 2010 setting out a standard quote template by stipulating three levels of service, set out in a sufficiently

detailed manner so as to facilitate the reading and the comparison of offers from different operators;

4. have prefects keep up to date a list of accredited operators and publish on each prefecture's website.

To local authorities and their groups:

- **5.** exercise pricing jurisdiction in full, whatever the funeral service's management structure;
- **6.** strengthen controls on public service delegation contracts, particularly as regards pricing and cost reliability.



3 Mobilier National et Manufactures Nationales des Gobelins, de Beauvais et de la Savonnerie: an institution at the end of its rope

An heir to very old institutions, the Mobilier National and the Manufactures Nationales des Gobelins, de Beauvais et de la Savonnerie (MNGBS) were recognised as agencies with national authority (ANA) by decree of 23 December 2002.

However, without public orders, the MNGBS' creation activity is no longer tied to its furnishing function, whilst the management of its collections is faced with the growing difficulty of reconciling the preservation of a highly valuable heritage with their use as furniture.

A configuration favouring immobility

Due to the quick rotation of directors during the period under review, the ministry's repeat request for modernisation was not followed by any real results.

The director of the MNGBS only has onthe-spot management powers over its staff members, who are recruited and administered by the ministry, and does not have the hierarchical power that he/ she should have. Furthermore, with the MNGBS being meant to benefit from operational support from central government, its support departments – which are little equipped – are unable to provide the management team with adequate support to develop a modernisation strategy and to control its management. The management of its own resources relies on very complex procedures, which are incompatible with any prospect of economic development.

Stunted management of human resources

The majority of Mobilier national agents complete their professional careers within the institution. They are very careful to preserve their main characteristics and are all the more wary of changes given that their circumstances are particularly enviable compared with those of their private-sector counterparts. The result is an "isolated" operation marked by recruitment that is rarely open to original profiles, hierarchical promotions that are almost self-directed, and a growing supervision rate due to low staff turnover.

Mobilier National et Manufactures Nationales des Gobelins, de Beauvais et de la Savonnerie: an institution at the end of its rope

Effective working time at the Mobilier national is 30 hours per week. The number of days actually worked ranges, according to departments and workshops, between 120 and 176 per year. Absenteeism, which is over 22 days on average, is particularly notable in some workshops and for some protected agents.

In addition, the times actually worked are not checked and agents are authorised to use workshops to complete personal works (the "wig"), a practice with no monitoring system in place to ensure that the conditions governing this practice are observed.

Lastly, wages of varying levels - from 27,000 € gross per year for a beginner art technician to 61,000 € gross per year for a head of works of art at the end of their career-are supplemented by an allowance for clothing, the use of which is not controlled, and in some cases, by accommodation occupied under particularly beneficial conditions.

Multiple shortcomings in the performance of duties

The consequence of this overall situation is that the missions entrusted to the MNGBS are improperly performed.

Beyond the shortcomings that affect the inventory of its collections (particularly the fund for textiles), the MNGBS is far from having completed all of its operations ensuring the secure preservation of its objects.

Furthermore, the furnishing function which its collections are designed for has experienced a downwards trend, with requests from administrations being increasingly focused on objects other than those offered by the MNGBS. Moreover, a very large proportion of the collections kept in its reserves are preserved in uncertain security conditions.

Though submissions are free, the fees relating to the restoration of furniture are borne by custodian administrations. Due to the low productivity of its workshops, the high prices practiced by the MNGBS do not make it easy to obtain consent from said administrations to complete works on the objects in their possession. Thus, nearly half of all necessary restorations are pending.

Furthermore, collections no longer benefit from the enrichment that production from the manufactures should provide them with. There is no doubt that the MNGBS, and the administration that it reports to, have failed to take the initiatives that would generate more public orders. This issue relating to demand is no less tied to the limiting factor that is the insufficient productivity of workshops able to meet said demand.

Despite the wealth of the heritage under its protection and the quality of art-trade know-how, and beyond its furnishing function, the MNGBS is struggling to develop its statutory mission to provide economic and cultural value. Thus, it has not provided itself with a suitable exhibition venue for the level of the collections that it could display. Furthermore, the crucial

Mobilier National et Manufactures Nationales des Gobelins, de Beauvais et de la Savonnerie: an institution at the end of its rope

weakness of its own resources coveys its reticence to feed its production activities with private orders, which would no doubt be a useful lever to improve productivity within relevant workshops and would provide value to their work

Thus, the Mobilier national's current situation cannot continue. It is vital that its activity is powered-up without delay. However, this will only produce results if the strategic reflection recently requested from the current director is repositioned in a much broader framework and focused on the general structure of activities contributing towards the missions carried out by the institution today.

Engaging in strategic thinking

The possibility of maintaining the MNGBS within its current activity perimeter is an issue that must be discussed. Although it considers that art trades must still be supported and are not able to continue their excellence without its intervention, the State must still reconsider the conditions under which its

corresponding activities can continue to be carried out. This preliminary issue must then lead to discussions on the most appropriate organic and statutory structure to optimise these activities.

With this in mind, two options appear: either to maintain the MNGBS' current perimeter, but at the expense of an indepth transformation of its operating modes, its governance and even its status; or to rearrange the entire institution, by distinguishing between:

- its creation and manufacturing activity, which, along with that of Sèvres, could constitute a large French manufacturing establishment;
- its activity relating to the management of museum-quality objects, which would benefit from being carried out by establishments whose precise function it is and with suitable exhibition places;
- and its furnishing function, whose scope of intervention could be revised in order to limit it to the proven and strictly necessary needs of administrations.

Mobilier National et Manufactures Nationales des Gobelins, de Beauvais et de la Savonnerie: an institution at the end of its rope

Recommendations

For this reason, the Cour issues the following recommendations:

Rationalising its operation:

- 1. as part of the future immovable property road map, transfer production activities located in Paris to cheaper locations and the surpluses of reserves that cannot be kept to Pantin or Perret;
- 2. systematically resort to subcontracting to approved service providers when their quotes are lower than the total costs of MNGBS workshops and draw lessons from this on the size of the workforce in such workshops when private offers are competitive;
- **3.** ban the "wig", that is the use of public production means by agents for personal purposes.

Remobilisation of teams:

- **4.** set up an automatic system to monitor presence at the work place with individual badges;
- **5.** take into account the quality and the quantity of workshop agents' individual productions for indemnity wages (RIFSEEP)

Improving the preservation and value of national heritage:

- **6.** diversify recruitment of panel members for competitive examinations in the catering trade;
- 7. as regards the furnishing activity, examine substituting the current free submission system for a lease based on the insurance value of the objects submitted.

Chapter IV

Territories

- 1. Disadvantaged municipalities in Île-de-France: structural difficulties requiring significant reforms
- 2. The management of European Structural and Investment Funds (ESIF) overseas: mixed results, a performance approach that should be consolidated
- 3. University of Lille: a merge to be completed, an academic and regional strategy to set out
- 4. Thermalism and local authorities, a fragile system: the case of the Occitan region



1 Disadvantaged municipalities in Île-de-France: structural difficulties requiring significant reforms

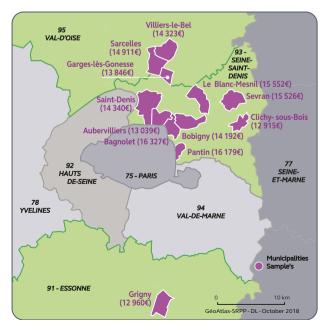
France's leading economic region, Île-de-France, is also the region with the largest economic and social gaps between municipalities. It contributes 30% of the national GDP, when thirteen of the twenty municipalities of over 20,000 inhabitants with the most difficulties within mainland France are located in the Paris suburbs.

The Île-de-France regional court of audits audited twelve Parisian municipalities with a relative poverty rate of over 30%, as well as two inter-municipal cooperation structures encompassing

half of these municipalities.

Municipalities with low fiscal resources

These municipalities have experienced quick population growth with the development of large accommodation complexes within their territory between the 1950s and the 1970s. In these municipalities, social housing now represents between a third and half of all primary residences, and they all contain at least one urban policy priority district.



Source: Cour des comptes, Insee data

Their population is young and socioeconomically fragile. Thus, in 2015, the median available income was between €12,900 and €15,000 in Aubervilliers, Bobigny, Clichy-sous-Garges-lès-Gonesse, Denis, Sarcelles, Villiers-le-Bel and Grigny, the poorest municipality in the sample. Furthermore, part of their population suffers from a lack of qualifications, preventing them from benefitting from the economic dynamism that some of them are witnessing, particularly those adjoining Paris.

Consequently, these municipalities are faced with the weakness of their tax base for the three so-called "household taxes". They are not all devoid of resources, with some of them, and particularly those closest to the capital, benefitting from the decision of large companies to locate their offices within their territory. However, the transfer of power over local business tax rates to inter-municipalities cooperation structures, effective since 2010, limits their ability to profit from their presence.

Municipalities subject to major management constraints

Due to the specific constraints that their population faces, these municipalities offer a broad spectrum of public services. With their pricing being based, above all, on social criteria in order to ensure the broadest possible access, these services generate limited income.

Given their characteristics, these municipalities also produce significant investment expenses, particularly as regards equipment for youth and urban renovation. Their capacity for self-financing is however often limited and they do experience high levels of debt.

The intensification of policies aiming at redistributing financial resources between municipalities that started in 2010 partially limited the impact of the nationwide decrease in the amount of financial aid granted by the State to local governments. However, their lack of resources, combined with the expenditures that they must meet, means that these municipalities are very dependent on these mechanisms.

Structural measures that have become necessary

Despite the constraints that they face, some of those municipalities still retain underexploited margins of manoeuvre. Staff costs are often high when they do not often respect the legal annual working times. Some have already succeeded in taking steps to curb their expenses.

Furthermore, despite the recent reform of the inter-municipality cooperation structures in Île-de-France, those structures are unable to significantly reduce inequalities between municipalities. In particular, fiscal resources remain insufficiently shared between those municipalities. In addition, while the transfer of authority over urban planning from

municipalities to inter-municipal cooperation structures plays a large role in reducing territorial inequalities, most of the municipalities located in the outer Paris suburbs have retained competence in this matter.

Although it will open up the territories of these municipalities, the construction of the Grand Paris express network will not be sufficient to make lasting improvements to their situation. In this respect, transferring authority over all urban planning operations to public inter-municipal cooperation structures in the outer Paris suburbs would allow to better combat territorial inequalities within this area. Furthermore, an overall reform of the status of the metropole of Grand Paris - as suggested by the Cour in its summary proceedings concerning in 2017 territorial organisation in the Île-de-France region1 – would reinforce its role in the pooling of resources.

Lastly, the structural nature the difficulties encountered by these municipalities calls for improvement in the coherence of the assistance mechanisms that they benefit from. The policy of contract agreement between the State and local governments introduced by the public finance programming bill for 2018 to 2022 could, for this purpose, be tailored to the most disadvantaged of those municipalities. Such agreements would include an increased handling of urban renovation projects as part of the new urban renewal programme, in exchange for commitments such as objective and measurable targets, in particular as regards consolidation of local public expenditures.

¹ Cour des comptes, référé *L'organisation territoriale en région Île-de-France*. 31 octobre 2017, 13 p., disponible sur <u>www.ccomptes.fr</u>.

Recommendations

The Cour des comptes makes the following recommendations:

To the central government:

- 1. Transfer authority over all urban planning operations located within the poorest municipalities in the outer Paris suburbs to their intermunicipal cooperation structures;
- **2.** Take steps to develop contract agreements between the poorest municipalities, their inter-municipal cooperation structures and the

central government, whereby those municipalities would commit to curbing their expenditure against a reinforcement of existing financial support mechanisms;

To local government authorities:

3. Tapintocurrentlyunderexploited margins of manoeuvre, especially concerning staff expenditures, to improve their management efficiency and increase their self-financing capacity.



The European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agriculture Fund for Rural Development, (EAFRD) and the European Fisheries Fund (EFF), having become the European Maritime and Fisheries Fund (EMFF) since 2014, are European Structural and Investment Funds (ESIF) enabling the European Union to support the economic and social development of fragile regions. Financial courts have studied their management in Martinique, Guadeloupe, French Guiana, Réunion and Mayotte which, as "outermost regions" (OMR) are main beneficiaries.

From 2007-2013, funds were highly mobilised

For the 2007-2013 period, the €3.2b allocated to French OMRs under the ERDF and the ESF were almost entirely spent. Funds from the EAFRD and the EFF however, as in metropolitan regions, were not fully mobilised. For the €650b from the EAFRD, the ratio varied between 91 and 94% depending on territories. As regards the €30b from the EFF, the ratio was between 98 to 100%, except in Guadeloupe (74%).

Estimated ESIF consumption rates

		Guadeloupe		Martinique		French Guiana		Réunion	
		Amount expected in €m	% consumed						
ERDF		543	100%	417	99%	305	100%	1 014	100%
ESF		185	99%	98	100%	100	89%	536	99%
EAFR	D	143	91%	104	92%	78	91%	329	94%
EFF		6	74%	8	100%	5	100%	10	98%

Source: Cour des comptes

Management, however, was of mixed quality

The financial courts audited the largest operations funded by European Funds overseas. They observed successes benefitting economic development. This is the case in Réunion for the bringing up to standard of the Roland Garros airport (\leqslant 37m from ERDF), the irrigation project on the west coast (\leqslant 450m from ERDF, \leqslant 210m from EAFRD) and the construction of a poultry slaughterhouse (\leqslant 14m from EAFRD).

However, it laments the management shortcomings. The development and the conduct of projects are often insufficiently managed, as it is the case in the creation of a secondary processing sea food factory on French Guiana (€1.5m from the EFF, €1m from ERDF), or of the ACTe memorial in Guadeloupe (€17m from ERDF). Furthermore, implementation schedules are not always respected. Thus, in Martinique, the exclusive lane public transport system (€82m from ERDF) was only commissioned in August 2018, when the infrastructure had been completed and the rolling stock had been delivered two years prior. In French Guiana, the rolling out of high-speed internet (€12m from ERDF) witnessed a succession of delays; therefore, the European funded Union outdated and underperforming equipment.

In addition, management authorities used their ERDF and ESF envelopes to constitute financial "reserves", the use of which is unclear and generally irregular.

Risks for the 2014-2020 period

For the 2014-2020 programme, implementation of European the Structural and Investment Fund was marked by a lack of anticipation. The principle was set out in 2014 to transfer the State's management authorities to the regions. This decentralisation, which was only partial, divided responsibilities. Administrative cooperation between State and local authorities was not sufficient, except in the Réunion, where the pooled scheme AGILE is good practice.

Furthermore, information systems were poorly designed and delivered late, which complicated management.

Overall, financial risks remain. Automatic decommitments, actioned when programmed funds are not spent within three years, are likely. Financial corrections could be decided by the European Commission. "Performance reserves", provided for by European regulations, will only be released if performance indicators are met.

Recommendations

In this context, the Cour issues the following recommendations:

For control and audit authorities (Ministry of Economy and of Finance, Ministry of Public Action and Accounts);

1. set out rules of use for the 2014-2020 programme enabling monitoring and effective controls on "reserves" resulting from the difference between the payments made by the European Union and the amounts paid to fund beneficiaries.

For managing authorities (State, regions):

2. set out targets and indicators in the agreements signed with beneficiaries to be able to measure the economic and social consequences of investments funded by European Funds and to be able to apply penalties where targets are not met;

- **3.** improve selectivity in the choice of projects to be funded by the ESIF, by promoting an increase in their number, particularly by developing advance funding mechanisms;
- **4.** develop the pooling of the State's and local authorities' initiating departments to manage to ESF;
- **5.** organise regular training for agents in charge of files, in order to improve their understanding of European fund regulations.

For organisms in charge of developing information systems (general commission for territorial equality, service and payment agency):

6. perform a strategic diagnostic to decide which information system to choose to implement for the 2021-2027 programme.



The merger of the three public universities in Lille on 1 January 2018 has resulted in one of the largest universities in France (69,000 students, a budget of over €560m). This is the first stage in the ambitious "ULNE" project, aimed at creating the Université Lille Nord Europe (ULNE) within ten years. It will bring together the University of Lille, the Grandes Écoles, the regional university hospital centre and the Institut Pasteur de Lille.

The Cour considers that the 2018 merger was poorly prepared and is the result of conflicting views. Furthermore, due to the presence of the new university, the region's academic offer has to be reshaped.

Born from contradictory approaches, this merger was poorly prepared

The merger of the three Lille universities is a typical example of discrepancy between the excellence policy and the site policy

Four attempts were necessary for the project to be distinguished in 2017,

though not by an IDEX label, but by an I-site, not as prestigious although allocated with significant resources. Initially far from reaching consensus, the three universities did not share a common strategic project. They rather tried to adapt to the IDEX jury's alleged requirements. The shift from a territorial regrouping rationale that included local universities to a Lille-centred ULNE project illustrates the lack of coordination between excellence policy and site policy.

The transformation process favoured the institutional aspect at the expense of the operational issues

The merger's success would have required and support transformation plan. The university should have set up strategic steering under the responsibility of the governance bodies, and operational steering, based on solid procedures and suitable tools. Today, the new university must face these challenges and work on strategic insight relating to academic offer and international perspective.

Neither the universities nor the State considered the full scope of the consequences of the merger

None of the three universities took the necessary steps to adapt their management to the project. Prior to the merger, the University of Lille 2 thus massively reduced its working capital between 2016 and 2017 and the University of Lille 1 did not take the necessary measures to improve its financial situation even though its financial difficulties were previously identified, without any necessary step having been taken to address them.

According to its interpretation of the autonomy of the universities, the State only granted a financial contribution for the merger without any effective support. The lump payment (€2.5M) lacked any objective assessment. The State took only belated monitoring measures.

The existence of the new university, undermined since its creation, calls for a reshaping of the regional academic offer

Without any delay, structural measures must address the weaknesses of the University of Lille

The University of Lille's first budget has been established according to a procedure characterised by poor circulation of financial information. From the outset, it showed a deficit of €6m. The corrective measures in the amending budget did not put an end to the drift of payroll and that of a significant investment programme. Moreover, they do not provide any convincing prospect of financing.

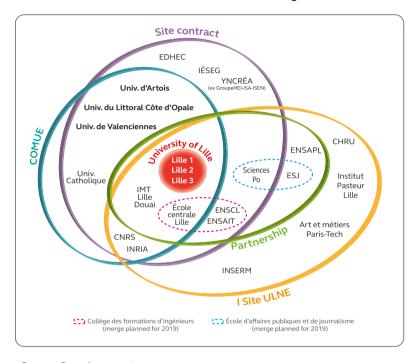
A regional academic landscape to be redefined

Local universities will have to adapt to the presence of the Lille giant. They have already undertaken actions to allow for wide access to higher education and a specialisation of their research. They will have to continue in this direction by focusing their resources on the first years of undergraduate studies and by strengthening their specialisation in a specific field of research in order to compete with major universities.

The organisation of the regional cooperation is currently illegible and reveals the stakeholders' difficulties to coordinate with each other. The ways and governing bodies of the regional cooperation have to be profoundly adapted.

A new regional organisation should optimise the academic offer for students and the resources allocated to research. Its coordination with the I-site could be the starting point of an academic and scientific dynamic that needs to be strengthened.

Higher Education Institution grouping structures in the former Nord-Pas-de-Calais region



Source: Cour des comptes

Recommendations

The Cour issues the following recommendations:

- 1. (University of Lille): as from 2019, implement the financial recovery plan announced the university (sustainable management of the pavroll. reassessment of training costs, rationalisation of the university's property, re-examination of the investment plan, development of the university's own resources);
- 2. (University of Lille): perfect the steering tools announced by the university: information systems road map, middle term and long-term building strategy scheme, management control, cost monitoring, internal controls and audits;
- **3.** (Universities of the Hauts-de-France, MESRI): take advantage of the merger to develop a renovated, enriched and coordinated regional academic offer that considers the student as the core stake of the strategy;

- **4.** (Universities of the Hauts-de-France, MESRI): In the view of putting an end to the ComUE, set out a flexible and effective form of cooperation which, with the support of public authorities, will enable coordination between strategies for excellence and territorial strategies;
- 5. (MESRI, DGFIP): amend Code of Education to implement a financial recovery mechanism that does not rely only on accounting results (Articles R. 719-104 and R. 719-109); include a presentation of the available working capital in the middle and long term investment plans voted on by deliberative bodies (Article R. 719-67); plan for and provide the Executive Board with a written and reasoned opinion from the rector (Article R.719-65), which takes into consideration the regional budget controller's opinion on the budgets and financial accounts.

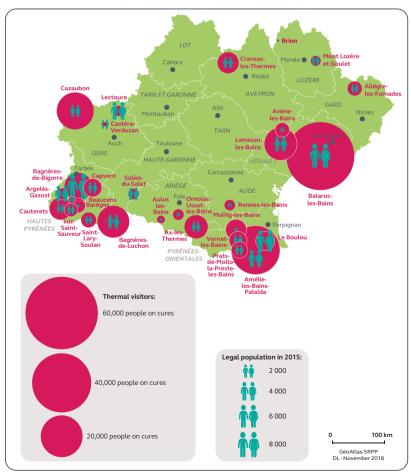


4 Thermalism and local authorities, a fragile system: the case of the Occitan region

Mainly financed by public funds, thermalism is entrenched in territories in which it is one of the available resources, and sometimes its main resource. Occitania, the leading thermal destination with close to

190,000 people visiting for cures, has witnessed a constant increase in this activity over the last five years, without it having actually profited from the expected benefits.

Thermal establishments in Occitania



Source: Cour des comptes

Thermalism and local authorities, a fragile system: the case of the Occitan region

Thermal activity in Occitania: a mix of health and tourism

Thermalism is an activity that is mainly supported by health insurance, which provides 75% of the turnover of thermal establishments in Occitania through cure refunds. It costs €290m nationwide per year when the relation between therapeutic value and coverage is not established.

Furthermore, thermal activity benefits from local financing, assistance with investment or with establishment operation management, due to its impact on tourism. Almost €90m were therefore invested during the 2011-2016 period in thermal resorts in Occitania, €35m of which were financed by municipalities.

The activity is marked by relative concentration around the region's Pyrenean outskirts, small municipalities, nearly half of contain less than 1,000 inhabitants. Save for two or three large establishments, most receive a moderate number of visits, with less than 5,000 people on cures per year.

The economic consequences as regards attractiveness and employment remain unclear.are little understood. The thermal field represents 60,000 to à 90,000 jobs at national level, including 14,000 in Occitania alone, with 2,600 direct jobs. At municipal level, and given their small size, this issue can be sensitive, ranging from 2 to 50% of municipal employment.

Un modèle économique fragile

La dispersion de l'offre au sein The dispersion of the offer across small structures mainly located in mountainous areas contributes to the precariousness of this economic model, regardless of the activity's management method, as a private company, under state control, or under semi-public management. The private group Chaîne thermale du soleil, dominates the sector in Occitania as in terms of number of visitors and turnover.

The atypical finances of from thermal municipalities are marked by significant costs and specific income, notably levies on income from games received in their capacity as tourism resorts with a casino. The income from thermalism is sometimes a significant resource for some resorts and can represent up to 60% of their product management, such as in Balaruc-les-Bains.

In return, expenditure on equipment and indebtedness are over twice as large as those of municipalities of an equivalent size. Yet, investment strategies are often risky, putting a strain on local authorities' financial equilibrium. The result is that only a minority of resorts in Occitania truly draw a benefit from the presence of a thermal establishment.

A thermal offer to be restructured in a different legal framework

Thus, thermalism must evolve. The framework for coverage by Social Security must be revised. An actual evaluation of the service provided,

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that complies with the provisions of the Social Security Code and allowing to adjust the reimbursement rate accordingly must therefore be considered. Simultaneously, the duration of these cures should be decreased depending on patients and according to indications, in order to diversify the offer and to distribute patients across different types of cures. The development of thermal spas without any therapeutic indications, could contribute towards a broader offer, provided that it results from discussions led at inter-municipal level. A local public fund of an amount corresponding to the aids currently allocated could support the activity's restructuring.

Recommandations

The Cour issues the following recommendations:

To the CNAM, the UNCAM and the HAS:

- 1. as part of the next revision of the national thermal agreement after 2022, have the HAS draft an opinion on the registration or the removal of each thermal act and service on the list of acts and services giving rights to cover or reimbursement;
- 2. as part of the next revision of the national thermal agreement after 2022, study the possibility of differentiating between cure durations according to medical indications, when the actuality of therapeutic value has been established by the National Authority for Health.

To the State:

3. set a fixed duration for thermal establishments' authorisation to use natural mineral water.

To the thermal municipalities in Occitania:

4. transfer management of public thermal establishments to their governing intermunicipal authorities for cooperation between local authorities.

To the Occitania region:

- **5.** improve the thermal grouping implemented at Occitania level;
- **6.** set up a local public fund to support the restructuring of thermal activity.