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## **MUNICIPAL SERVICES OUTSOURCED TO SUB REGIONS, WITH SPECIAL REGARD TO THE FUNDING, PROVISION AND CONTROL OF THE SERVICES OF BASIC SOCIAL CARE**

The Act on the State Audit Office of Hungary (Act Nr. XXXVIII/1989) states that the financial management of local governments, the implementation of local government tasks, and the provision of public services included is subject to regular audit by the State Audit Office (SAO).

The Act on Local Self-Government (Act Nr LXV/1990, hereinafter the Self-Government Act) records the services to be provided by all local governments. In 1990, 3 200 local governments were established in place of the 1 600 “local councils” of the former political system. In addition to this fragmented organization of the municipal system, the local governments are featured by their especially wide powers and authorities. However, the resources necessary for the efficient and economic satisfaction of the needs of residents are not available at a high number of the communities. Pursuant to the Self-Government Act, a local government is obliged to arrange for the supply of healthy drinking water, for pre-school (kindergartens) and primary education, health and social care, public lighting, the maintenance of public roads and public cemeteries, etc.

As a result of different factors (like (1) the growing financial burden from the maintenance of institutions established by the individual local governments; (2) the increase in the number of public services the local governments are obliged to provide; (3) social changes, e.g. the citizens’ higher life expectancy and their increasing need for social care services) in recent years it became more and more important to make public services accessible to as many citizens as possible and to use the funds spent in an efficient, effective and economic way.

The exercise of powers and the provision of services by local governments are financially based mainly on a multi-channel and “contributory-nature” system of financial assistance from the country’s central budget. The revenues of local governments from the central budget includes grants, norm-based contributions, a part of the personal income tax, which is transferred to local governments, and other transferred taxes. The amount of an individual norm-based contribution is set on the basis of the community’s population and some indicators. In 1990 the central budget had merely 12 titles for norm-based appropriations; in 2006 this figure reached 24, and the titles were subdivided into 158 code numbers.

The claiming of norm-based contributions and the accounting for and control of their utilization involve a huge workload and it is difficult for the local governments to meet the requirement of having enough resources for the services they have to provide. Since the existing system of financial assistance for local governments serves merely the purpose of distributing the resources among them, it would be reasonable to reduce the number of the relevant budget titles with the goal to slim down the over-detailed system.

To help enable a more efficient provision of services and reach an economical size at the municipal institutions, the Self-Government Act provides that local governments are free to enter in partnerships. However, for the reasons of missing incentives and fears about the loss of independence, this practice did not become general practice.

Despite the several attempts, one of the ways to solve this problem, namely the redefinition of municipal powers and competences has failed. The incitement of cooperation between local governments has remained the only possible way to go. This can be followed later on by amendments to the departmental legislations addressing public services and by a reorganization of the municipal funding system.

In 2003 the government made a decision on the territorial assignment of communities and thus created 168 sub regions as territorial entities. The form of cooperation between the communities of a sub region is the multi-purpose sub regional partnership. This is a new and complex cooperation form, through which it is possible to perform at a higher standard those municipal services, regional development tasks, public administration services that the local governments at their own level can not provide efficiently.

The Act on Multi-Purpose Sub Regional Partnership specifies which service group is entitled to get “incentive grants” beyond the usual norm-based contributions. Such service groups include services of education, nursing, social care, health care provision, regional development at minimum.

In 2006 the SAO examined the compulsory services of basic social care. As a response to the incentive grants, a part of these services were “outsourced” by the local governments, and are being provided now by multi-purpose sub regional partnerships. For the provision of the basic social care services outsourced to them, the multi-purpose sub regional partnerships received as incentive grants a total of HUF 1.006,7 million in 2005, and a total of HUF 1.743,9 million in 2006. In the 168 sub regions 205 multi-purpose sub regional partnerships were active in 2006 to provide different basic social care services (e.g. domiciliary assistance).

In case of basic social care services the incentive grants have the goal to enable through the integration of service provision that as many as possible citizens of the communities that participate in partnership be provided with the services. A further goal pursued is to widen the scope of basic social care services with new forms of services.

Through the establishment of multi-purpose sub regional partnerships the service provision in the audited local governments has undergone a restructuring, that is, formerly missing forms of service were being introduced under the partnerships in more and more communities. Beyond this, the goal was articulated to improve the quality and cost efficiency indicators as a result of the integrated service provision. However, the assessment of this was problematic.

Concerning the services outsourced to sub regional partnerships, the audit was hindered by incomplete partnership agreements on the provision of services outsourced to sub regions. The agreements in question did not provide for the sub region’s obligation to provide data on the number of the serviced citizens and the expenditures of the individual services.

Neither is there any statistical data collection and registry on the basic social care services that the sub regions provide to the individual communities. However, on the ground of available statistical data on the total number of the serviced citizens it can be stated that there was an increase in the total number of those receiving basic social care, thus the operation of the sub regions brought about a favourable change in this field.

As part of the ongoing public administration reform, the funding system of communities and sub regions will be restructured. For the audit of, and increase in public service economy, efficiency and effectiveness, it is indispensable to specify the missing criteria and indicators and arrange for the underlying data background.