

Assumptions for provision of public services in small and remote local authorities

Can the quality of the provision of services in local authorities be assessed?

Report of the National Audit Office to the *Riigikogu*. Tallinn, 31 January 2012

Summary of audit results

The National Audit Office audited whether or not the requirements established by law are met in the most significant areas of activity of local authorities, where at least some objectively measurable and important requirements have been established, i.e. whether or not local authorities have created the preconditions necessary for the provision of services in these areas.

The National Audit Office selected 15 small and remote local authorities for the audit and analysed the existence of formal preconditions in eight areas of activity: spatial planning, organisation of childcare, provision of basic education, provision of social services, waste transport, organisation of public water supply and sewerage, road maintenance and transparency of the local authority's activities. The legislature has established at least some requirements to the preconditions of service provision in all these areas. The National Audit Office did not set out to compare these areas of activity, because the requirements the compliance with which we could evaluate were not all equally specific.

Local authorities have several roles in shaping the living environment of their people: they make the decisions that affect local life and community, and provide services. As local authorities in Estonia only have a single level, it means that large cities, remote and small local authorities should all be able to provide these services. This means that Estonian people should be able to receive these services, or at least information on how to receive these services, from their municipality or city irrespective of where they live.

Taxpayers often expect the National Audit Office to give a definite opinion on how well a local authority has managed to provide services. We can give an opinion if at least the minimum level of each service has been determined.

The National Audit Office found that several areas of activity of local authorities are set out in laws only as formal requirements (for instance, local authorities have been given declarative instructions to deal with certain issues or assigned the obligation to prepare a procedure that regulates a certain area), and there are areas for which no requirements have been established at all. The National Audit Office was therefore able to express an opinion on the existence of a procedure or instructions, but cannot say whether or not a services has the expected quality.

The National Audit Office had previously found that many local authorities are unable to cope with their duties properly. There have been major issues, which means that the obligations arising from law have been performed selectively.

The current situation, where the duties of local authorities and the state have not been clearly distinguished, is also a problem, and it does not comply with the Constitution. The Supreme Court also pointed this out in 2010.

Without assessing the correspondence of the actual provision of a service to reasonable quality, the National Audit Office found that less than one-half of the local authorities (7 of 15 auditees) had created formal preconditions for the provision of services in all or most of the areas. The opinions of the National Audit Office of the auditees' activities in creating the preconditions for the provision of services are given in the table on pages 25-27.

Key observations of the National Audit Office:

- It is not possible to give an objective assessment of whether or not local authorities are able to perform their duties before the state establishes at least some requirements for the quality of the services provided by local authorities in most areas and for the officials who provide them. Also, it would be difficult to make justified changes in the administrative arrangement, which is obviously necessary for the improvement of service quality, before the relevant analysis has been carried out. The National Audit Office finds that the establishment of requirements should be coordinated and their performance should be analysed by the Minister for Regional Affairs, who so far has not shown much initiative for doing this.
- The National Audit Office also found the most serious problems in the areas where clearer requirements have been established, such as planning the use of land, organisation of road maintenance, giving necessary information about one's activities.
- The lack of specialists is a particularly serious problem in the provision of public services in smaller and remoter local authorities.
- Small local authorities also have some advantages: for example, it may be possible for them to deal with the problems of people individually and rapidly. Small and remote local authorities have achieved the best results in the organisation of childcare, provision of basic education (sometimes even without having a school of their own) and provision of simpler social services.

The National Audit Office finds that the quality of services has not been analysed so far, which makes it impossible to assess whether or not people are receiving the services at a reasonable level. The National Audit Office advises the Minister for Regional Affairs to analyse the actual content of the services provided in local authorities by comparing the local authorities and phrasing the general principles for assessing the quality of services. The Minister for Regional Affairs should show some initiative and involve the ministers responsible for the areas affected by this process whilst coordinating all activities himself. The reasonable service level, which local authorities should guarantee for people, should be identified as a result of the comparison. The analysis would indicate which local authorities are able to provide quality services and which are not. The expenses of developing a service must be considered when the reasonable level is identified. It is obvious that the development of expensive services calls for a critical number of consumers.

The National Audit Office finds that many local authorities are too small to provide all services at the expected level. High costs mean that providing all services in every local authority would be unreasonable, and it would also be impossible to hire the required number of qualified specialists.

The National Audit Office emphasises that it is extremely important that the recommendations made to the Minister for Regional Affairs are implemented in the coming years, which may change the organisation of local government. Several audited local authorities also agreed that the current situation must be changed. This is also the opinion of the National Audit Office, but it does not change the negative opinion of the National Audit Office of the auditees that do not adhere to effective laws. The National Audit Office did not advise these local authorities to adhere to law, because it is obviously an obligation of all local authorities. The National Audit Office believes that local authorities have not used all existing options to perform their obligations. For example, they have not agreed on cooperation with other local authorities, hired officials to work in several local authorities in order to alleviate the shortage of specialists, used all available options to delegate duties to the county local government association or improve their capacity by merging with other local authorities. After the analysis has revealed the shortcomings in laws, which prevent local authorities from cooperating better, the Minister for Regional Affairs should prepare the relevant amendments or ask the relevant ministers to prepare them. If necessary, he should use the options

within his competency to merge struggling local authorities with those that have the capacity to provide the service.

The National Audit Office admits that it is difficult to provide the same services to people living in densely and sparsely populated regions, which is why it is necessary to discuss whether it would be reasonable to change the organisation of local government in such a manner that all local authorities would not have to perform the same duties, but they would be determined in consideration of regional aspects and options.

The auditees themselves offered very different solutions to improving the quality of services. They can already share officials or delegate some services to the county local government association. The National Audit Office finds that this should be used more in the future. Some of the solutions offered, such as mandatory cooperation between local authorities or adding a second level to local government, require political agreements and amendment of laws. The National Audit Office hopes that the state and local authorities will start discussing possible solutions for the provision of quality services.

Response of the Minister for Regional Affairs:

The Minister for Regional Affairs agreed to implement some of the recommendations. In his response, the Minister for Regional Affairs expressed his positive appreciation of the consistent contribution made by the National Audit Office in identifying problems in the performance of the duties of local authorities and the quality of public services. The Minister finds that collecting, analysing and disclosing information about the services provided by local authorities is necessary. The Minister also suggested that offering and disclosing comparative information about the services provided by local authorities to residents could be a better way of shaping the level of a public service, as it would help increase the role of local people in the assessment of service quality. The Minister for Regional Affairs suggested that this information should be collected by ministers for various areas on a daily basis. The Minister for Regional Affairs believes that he can help the other ministers with methodological instructions. The Minister added that if the inability of certain local authorities to provide services independently or in cooperation with others threatens the fundamental rights of people, then we should consider merging such local authorities.

Comment by the National Audit Office: The National Audit Office believes that the Minister for Regional Affairs must show initiative as well as coordinate and oversee the activities of other ministers in order to find working solutions to improving the quality of public services.

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