

RISK ANALYSIS - OPPORTUNITY OR THREAT TO FINANCIAL MANAGEMENT OF MUNICIPALITIES

ANALÝZA RIZIK – PŘÍLEŽITOST NEBO HROZBA FINANČNÍMU MANAGEMENTU MÍSTNÍ SAMOSPRÁVY

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ABSTRACT

The topic of the article is the issue of risk regarding municipalities. For the purpose of this article, we understand the risk as a risk of occurrence, which may adversely affect the achievement of the stated objectives. The basic objective of the municipality is to nurture the development of its territory, the quality of life of its inhabitants and the quality of public services provided. The article sets out three goals, such as to evaluate whether a large number of small municipalities in the Czech Republic shall be understood as a risk or as an opportunity. In the Czech Republic, 77% of municipalities have under 1,000 inhabitants, the average population of the municipality in the Czech Republic is 1,695, which is the smallest of the CEE countries. A large number of municipalities up to 1,000 inhabitants can be considered as a risk factor, primarily from the point of view of financial management of municipalities. At the same time, this can be seen as an opportunity for local co-operation, pooled purchases, or alternative public service provision. The second objective was to analyse the ways of providing public services by municipalities. The third objective was to process a case study – the risk analysis of the city of Ústí nad Labem and compare the results with the city of Pardubice.

Key words: risk, risk analysis, municipality

JEL classification: H83, H70

1 INTRODUCTION

In the Czech Republic, as of 1 January 2018, there were a total of 6,258 municipalities, of which 605 were cities. The Czech Republic is characterized by its fragmented settlement structure and a large number of small municipalities. 77% of municipalities have below 1,000 inhabitants. A large number of municipalities up to 1,000 inhabitants can be considered as a risk factor, primarily from the point of view of the financial management of municipalities. With small municipalities, it is quite difficult to use economies of scale (for literature research and results in the Czech Republic see, for example, Matějová et al., 2014) – an opportunity for them can be an alternative provision of public services. In accordance with the legislation in the Czech Republic (in particular the Municipalities Act), each one can be characterized by four marks (see, for example, Koudelka, 2003): (1) territories, which is one of the key features of the municipality, being the “spatial or basic” basis of the municipality, (2) the inhabitants being the “personnel” base of the municipality, (3) its own property and the privilege to manage it according to its budget being the economic base of the municipality and (4) the privilege of acting in legal relations in its own name (the municipality is a legal entity, as a public corporation) being the legal basis of the municipality. These four characteristics can be used simultaneously as individual areas of municipal risk; it is one of the possible views on risk classification. The risks of municipalities can also be divided into five areas (1) financial (related to the way of financing, resources, repayment of subsidies, indebtedness, but also to waste, financial impacts of corruption and fraud); (2) organizational - sometimes also called personnel (e.g. employee turnover, key employee illnesses, ineffective employees, but also poor cooperation with the region, partners, poor management of the municipality and so on); (3) legal (especially legislation, but also errors in municipal ordinances, errors in contracts and the like); (4) technical (e.g. condition of buildings, equipment, technical infrastructure, etc.); (5) material (migration, aging, inadequate requirements of citizens, etc. - it is related to the development of the municipality and its socio-economic characteristics, but also to security, territorial and environmental risks).

In this article, we understand risk (MMR, 2012) as a risk of an event that may negatively affect the achievement of the set goals. The basic objective of the muni-

cipality is to take care of the development of its territory, the quality of life of its inhabitants and the quality of provided public services. We understand risk as a future event that has a random character. This means that it may or may not occur and may or may not have a negative impact, while being neither impossible nor certain. We associate risk with negative effects, adverse impacts and losses.

The aim of the article and its ongoing research is to identify and analyze new knowledge in relation to the topic of research, i.e. an analysis of municipal risk. Specifically, (1) to compare the average population of the municipality within the CEE countries and evaluate whether this situation can be understood in the Czech Republic as a risk or opportunity for small municipalities. (2) To analyze possible ways of providing public services by municipalities. (3) To prepare a case study – a risk analysis of the city of Ústí nad Labem and to compare the “big” risks with the risk analysis of the city of Pardubice.

2 THEORETICAL BASES, DATA AND METHODS

A mix of positive (non-normative) methodology and normative methodology was used in the research to achieve the stated objectives (Ochrana, 2009). Firstly, the positive methodology was used in particular in the study of available literature and other sources, in the analysis and description of problems, in the analysis of domestic and foreign experience where the basic criterion question in this kind of analysis is: “What is the state of the research problem (in our case, in relation to the stated research objectives)? What actually happened in relation to the problem?”. Understanding this problem or condition, and in particular its causes, is crucial in this research phase. This is a proper definition of the problem under investigation. The next step is an effort to define the optimal or best solution to the problem with respect to the selected criteria. The next step is to ask normative questions: “What can be considered the best possible solution in relation to the problem under investigation? What final target status would be appropriate in our conditions?”.

A number of generally scientific methods have been used in this mix. They are dominated by the method of analysis, which was used in researching literature and other available sources and data (for example, the database of the Ministry of Finance - MONITOR, database of the Czech Statistical Office, etc.), internal

documents obtained in the case study. Ústí nad Labem participated as a senior consultant responsible for risk analysis. The research also carried out qualitative research in the form of structured interviews, using the method of comparison (approach to risk management risk analysis of the city of Ústí nad Labem and the city of Pardubice).

The research also uses a case study method that is commonly used in social sciences (see, for example, Yin, 2009; Stake, 1995). A case study can help us to understand other (similar) cases by examining a single case (see, for example, Hendl, 2005). In the risk assessment of Ústí nad Labem and the city of Pardubice, two critical risk assessments were utilized using the expected probability of occurrence and impact. The resulting risk value was then calculated by:

$$V = P \cdot D \quad (1)$$

where V = resultant value of the significance of the risk,

P = expected probability of occurrence,

D = expected impact on the city budget.

The expected probability of occurrence and expected impact was determined by the processor's expert estimation based on the analysis of the data and the results of the structured talks. The proposed evaluation was submitted to the panel of experts who confirmed or changed the evaluation. The values were set on a scale of 1 to 5, when 1 represented very little impact (or very low probability of occurrence) and 5 very large impact (or very high probability of occurrence). The value of risk significance varies between 1 and 25. Attention will be paid in particular to the risks with a value of 10 and higher, which we take as meaning "large" for this research. The large risks of Ústí nad Labem will be compared with the results of the city of Pardubice.

The authors relied mainly on the concept of new public management (NPM) in the framework of the research carried out. NPM defines a different conceptual approach to managing public resources and public administrations (see, for example, Barzelay, 2001) and it can also be applied to the issue of municipal risk management. NPM, among other things, uses proven managerial tools from the for-profit sector which may include, inter alia, risk analysis. The fundamentals of the NPM concept have been influenced by a number of avenues and movements,

such as the theory of transaction costs, the theory of public choice, the theory of principal-agent and the like (Nemec et al., 2011, pp. 140–159). The leading creators of the NPM concept include Pollit (1990) and Walsh (1995).

3 RESULTS AND DISCUSSIONS

3.1 A LARGE NUMBER OF SMALL MUNICIPALITIES IN THE CZECH REPUBLIC – AN OPPORTUNITY OR A THREAT?

The municipality by law ensures the versatile development of its territory. The smaller the municipality in terms of population, the more difficult it is to ensure the quality of life of its inhabitants. The population of the municipality is thus one of the risk factors of municipalities in the Czech Republic. The very smallest (up to 200 inhabitants) make up a very large number of municipalities, 1,432 (23%), but contain only 1.7% of the population (CSU, 2018). In these smallest municipalities, the mayor is usually a person who maintains another profession at the same time. The municipality has no employees or not a sufficient amount of them for the performance of all activities of the municipality. Municipalities up to 100 inhabitants are then 77% and 17% of the population lives in them. The average population in one municipality as on 1 January 2018 was 1,695. In view of the fact that much of the tax revenues are derived from the population, it is indeed difficult to ensure quality of life, given the relatively small population in small municipalities.

For comparison, the situation in TEN CEE countries has been listed. The table shows the population, size, number of municipalities, average area of one municipality in km², and the average population of the municipality. The data are from the year 2012. The countries are in the table in order of the average population of the municipality.

Tab. 1 » The average population of the municipality in CEE countries.

Country	Population (in millions)	Surface area (km ²)	Number of municipalities	Average municipal area (km ²)	CEE country ranking	Average population of the municipality	CEE country ranking
Lithuania	3,05	65,300	60	1 088.3	1	50,833	1
Bulgaria	7,37	111,002	264	420.5	3	27,917	2
Latvia	2,07	64,589	119	542.8	2	17,395	3
Poland	38,53	312,685	2,479	126.1	5	15,543	4
Slovenia	2,05	20,273	211	96.1	6	9,716	5
Romania	21,41	238,391	3,181	74.9	7	6,731	6
Estonia	1,34	45,227	226	200.1	4	5,929	7
Hungary	9,99	93,029	3,175	29.3	8	3,146	8
Slovakia	5,39	49,034	3,028	16.2	9	1,780	9
Czech Republic	10,49	78,868	6,253	12.6	10	1,695	10

Source: authors according to CEMR (2013) p. 8

The table shows that the largest average population is in Lithuania (almost 51 thousand), with the last rows of the table occupied by Hungary, Slovakia and the Czech Republic (in last place with an average municipal population of 1,695. When compared with neighbouring Poland, Poland has about a 10x larger average size of municipalities in addition to the average population of the municipality. When compared with other countries, the situation in the Czech Republic is even more evident.

It is difficult to ensure the quality of life of inhabitants in small municipalities. Many countries (for example, Lithuania) have dealt with the financing situation of small municipalities by an extensive merger of municipalities. For example, Klimovský (2010, 2011, 2014) describes the experience and merger issues in EU

countries. The advantages and disadvantages of merging under the conditions of the Czech Republic have been discussed, for example, by Kameníčková (2003) or Illner (2006). Studies of the OECD (2016, p. 40) have highlighted the problem of the large number of municipalities in the Czech Republic. This administration considers cooperation among municipalities in the Czech Republic in the provision of services as non-systematic and it often depends on personal relations. The OECD considers the best way to achieve a more focused supply of services is the merging of municipalities. In the OECD report of 2018, it was recommended to build support for community mergers; it was also recommended to improve cooperation between municipalities in order to exploit economies of scale and improve service coordination (OECD, 2018, p. 3). Despite all the recommendations and examples from other countries, the topic of merging municipalities in the Czech Republic is politically and socially toxic, mainly because of the violent merging in the 1970s and 1980s and the associated poor experience where merging benefited the “centre” municipalities and led to the collapse of affiliated/satellite municipalities. Any effort by the state to motivate the municipalities to merge is also considered undemocratic.

While the financing issues of small municipalities can be considered a very significant risk for small municipalities, the possibility of cooperation between municipalities (and cooperation based on alternative public service procedures) can be understood as a great opportunity for small municipalities.

3.2 . ANALYSIS OF THE WAYS OF PROVIDING SERVICES BY MUNICIPALITIES

If a municipality provides public services in an inappropriate way in terms of their legal form, it increases its legal as well as financial risks. The analysis of the legal environment in the Czech Republic and the possibility of providing public services implies that each municipality can provide services for its inhabitants in different ways, or by different means. The result of the analysis is shown in the following table. These options also differ in the level of risk they are associated with. However, this level depends on local conditions. Thus, the municipality can provide public services directly (by the municipal authority, the organizational unit of the municipality, another municipal authority) or indirectly, where

much more is possible. If the services are provided indirectly, a large part of the municipalities' risks is transferred to a non-profit organization or a company that provides the public service to the municipality. However, new risks arise, in particular, from the selection of the service provider (including errors in contracts), the public contract or the grant or contribution provided.

Tab. 2 » Analysis of the main possibilities for public service provision by municipalities.

Directly/ indirectly	Provider	Legal regulation	Relationship to the municipality	Application examples - Public services
Directly from the municipality	Municipal Office	The Municipalities Act, the Administrative Code and other laws	The municipality provides directly through its office	-Transferred performance of State Administration (Registry Office, Building Office, etc.) -Securing the tasks of self-government
	Municipality's organisational component	Sections 24–26. 250/2000	The municipality establishes a founding document, has no legal personality	services of a social character, library or cultural facilities, etc.
	Other authority of the municipality	Special law	Authority of the municipality	the city police, the commission
Indirectly-non-profit organizations	Contributory organization	Sections 27–37 250/2000	The municipality establishes a founding document	primary schools, nursery schools,
	Union/Collection of municipalities	Sections 49–53 128/2000	Several municipalities establish an entity by contract	microregion, voluntary union of municipalities

Tab. 1 » continues on the next page (p. 13)

Directly/ indirectly	Provider	Legal regulation	Relationship to the municipality	Application examples - Public services
Indirectly-profitable organizations with a part by the municipality	Limited liability company or joint-stock company	Commercial Code	The municipality may establish a founding document (by itself) or a social contract (with others)	asset management, technical services, waste collection, etc.
	Cooperative	Commercial Code	Municipality is a member of the cooperative	housing matters of the municipality
Indirectly-purchase of services	Various possibilities of service providers (usually selected on the basis of a public competition). The relationship with the municipality is defined on the basis of contract. There are also risks related to the selection of the provider – usually the risks associated with the public procurement.			
Indirectly – subsidies granted	In the conditions of the Czech Republic, for example, subsidies provided to non-profit organisations providing social services, but may also be subsidies to associations (e.g. sports, culture or youth work) and the like.			
Indirectly-Alternative options	These are different options for alternative provision – combined purchases (for example, multiple municipalities compete jointly for energy), various forms between municipal cooperation to provide public services (e.g. through a voluntary union of municipalities) and the like.			

Source: authors

A very common way of providing public services in the Czech Republic is to provide them through an established contributory organization - mainly primary schools and kindergartens, but also various forms of “communal” services such as municipal cleaning, mowing grass, garbage collection and the like. Very often municipalities also provide public services through a company or non-profit organization which is usually selected on the basis of a public tender. Municipalities also have other alternative options when providing public services. There are different options for alternative provision - pooled purchases (for example, multiple municipalities compete together for energy), different forms of municipal cooperation to provide public services (for example through a voluntary union of municipalities) and the like. Again, it is necessary to carefully identify, assess (analyze), manage and monitor risks according to local conditions.

3.3 CASE STUDY – RISK ANALYSIS OF ÚSTÍ NAD LABEM

One of the objectives of the research and this article was to prepare a case study of a chosen city that would include a risk analysis. The authors of the article chose the city of Ústí nad Labem, where one of the authors participated in the creation of a risk analysis. The city of Ústí nad Labem is a statutory city with 93,000 inhabitants. It is also a regional capital. The following tables show the results of a case study on risk analysis in the city of Ústí nad Labem. The procedure and methodology for calculating the evaluation was presented in Chapter 2.

The following table identifies and assesses financial risks. Seventeen financial risks were identified, evaluated and ranked in the table according to the highest risk value. Four of the risks obtained values of 10 or higher. Three obtained a value of 12, i.e. “insufficient funds for investment”, “the unwillingness of the state to contribute financially to solving the problems of the city and the region” and “restrictive economic policy of the state - reducing investment in the city”, with one having a value of 10 for “insufficient funds for normal operation”. If we compare these values with the risk analysis of a comparable city (Pardubice was selected), Pardubice had three financial risks with a value of more than 10 (Půček, 2018): “insufficient funds for investments (having a value of 12 like Ústí nad Labem)”, also at 12 was “returning subsidies for sustainability of projects or unacceptable expenditure of projects in implementation” (in Ústí, this risk was identified as well and was ranked 8-10 and had a significance of 8, i.e. 2 points less), with the third risk worth 10 being “insufficient funds for normal operation” (in Ústí nad Labem it was evaluated the same way - see the table below). In addition, Pardubice identified 14 financial risks and one risk in Ústí nad Labem with a value of 12 (“The unwillingness of the state to contribute financially to solving problems of the city and region”); a similarly formulated risk was not identified in Pardubice. It can be concluded that the representatives of Pardubice rely more on themselves than on the state. As for the city of Ústí nad Labem, it should be noted that the Ústí nad Labem Region is one of the economically affected (negatively) regions where there is higher unemployment than in other regions with considerable problems within socially excluded localities in Ústí nad Labem.

Tab. 3 » Risk Analysis: Financial risks of the city of Ústí nad Labem.

Order	Identified risk	Guest		
		P	D	V
1-3	Lack of funds for investment (and large repairs), incl. for co-financing with European subsidies	4	3	12
1-3	State unwillingness to contribute financially to solving the problems of the city and region	3	4	12
1-3	Restrictive state of economic policy – limiting investment in the city and region in the context of reducing the state budget deficit	3	4	12
4	Lack of resources for normal operation	2	5	10
5-7	Lack of funds for investment, repairs and operation of regional facilities in the city	3	3	9
5-7	Financial implications for the city due to errors of the Regional Council Office	3	3	9
5-7	Increased city expenditure or impairment of property caused by inefficiency, ineffectiveness or bad economies	3	3	9
8-10	Significant tax revenue fall	2	4	8
8-10	Significant repayment of subsidies (sanctions) in the context of project sustainability or ineligible expenditure of projects during implementation	2	4	8
8-10	Over-indebtedness (exceeding the debt service indicator)	2	4	8
11-14	The unwillingness of the citizens to pay fees or paying for services, a large volume of bad debts	2	3	6
11-14	Sharp increase in prices of purchased commodities or services	2	3	6
11-14	Increased city spending or impairment of assets caused by corruption or fraud	2	3	6
11-14	Change in university funding – support for major research universities – lack of funding for the local university	2	3	6
15	City Insolvency	1	5	5
16-17	Removal of emergency conditions not covered by insurance	2	2	4
16-17	Compensation not covered by insurance	2	2	4

Source: Authors, according to the documents from Ústí nad Labem

The following table identifies and assesses organizational risks. 10 organizational risks have been identified and evaluated and are listed in the table by the highest risk value. A value of more than 10 was obtained just once “Insufficient preparedness of the city to use cohesion policy instruments” (a value of 12). For comparison, the City of Pardubice identified and evaluated 7 risks in this area (Půček, 2018) with one over 10 similarly to Ústí nad Labem with a value of 12.

Tab. 4 » Risk Analysis: Organisational risks of the city of Ústí nad Labem.

Order	Identified risk	Guest		
		P	D	V
1	Insufficient readiness of the city to use cohesion policy instruments	3	4	12
2-5	Poor city management (wrong decisions)	3	3	9
2-5	Insufficient coordination of EU-level development projects – State-region – city, which will have negative impacts on the city	3	3	9
2-5	Uncontrolled expansion of the city, which will subsequently increase the operating costs of the city or deteriorate the availability of services or cause traffic collapse	3	3	9
2-5	Non-elimination of problems in spatial planning, unprofessional or purpose changes to the zoning plan	3	3	9
6-9	Poor management of city districts (wrong decisions)	3	2	6
6-9	Poor management of the city's organizations and companies (erroneous decisions)	3	2	6
6-9	Poor cooperation with city districts	3	2	6
6-9	Bad Partnerships (region, university, NNO, etc.)	3	2	6
10	Personnel risks – employees (turnover, incompetence, non-motivation,...)	2	2	4

Source: Authors, according to the documents from Ústí nad Labem

The following table identifies and assesses legal risks. Four legal risks have been identified and evaluated and ranked in the table by the highest risk value. Values higher than 10 were obtained by 2 risks, namely “Legislative change that will significantly reduce incomes or increase spending” and “Legislative change that will deteriorate the quality of life in the city or the public services provided”. Both have

a value of 12. For comparison, the City of Pardubice assessed the risks similarly.

Tab. 5 » Risk Analysis: Legal risks of the city of Ústí nad Labem.

Order	Identified risk	Guest		
		P	D	V
1	Changing legislation that will significantly reduce revenue or increase spending	3	4	12
1-2	Change of legislation that will worsen the quality of life in the city or the public service provided	3	4	12
3	Inappropriate change in the principles of territorial development of the region or territorial development policy CR	2	4	8
4	Error in legal acts of the city or in contracts, lost legal disputes	2	3	6

Source: Authors, according to the documents from Ústí nad Labem

The following table identifies and assesses technical risks. Four technical risks have been identified and evaluated and ranked in the table by the highest risk value. A value higher than 10 was obtained by 1 risk “Risks arising from old ecological burdens” which was 12. For comparison, the City of Pardubice evaluated 7 risks. Risks with the highest observed value (over 10) included the risk “Risks from old ecological burdens” (the same as Ústí nad Labem at 12) and the risk “Failure in heat supply” (with value 10, as in the table below, a similar risk was not identified in Ústí).

Tab. 6 » Risk Analysis: Technical risks of the city of Ústí nad Labem.

Order	Identified risk	Guest		
		P	D	V
1	Risks arising from old ecological burdens	3	4	12
2-3	Poor state of transport infrastructure (e.g. deterioration of road conditions under regional administration) and other infrastructure in the municipal area and associated accidents, failures, blackouts, etc.	3	3	9
2-3	Poor state of buildings within the properties of the city and its organizations and companies and associated failures, accidents etc. (Safety factors)	3	3	9
4	Obsolete material-technical equipment of the city and its organizations and companies	3	2	6

Source: Authors, according to the documents from Ústí nad Labem

The following table identifies and assesses material risks for Ústí nad Labem. 17 material risks were identified and evaluated and are ranked from the highest risk value. Values higher than 10 were obtained by 2 risks with “Floods” having the highest value of all (16) and “inappropriate behaviour of private entities outside the region” (12). This risk is specific to Ústí nad Labem due to the higher number of socially excluded localities. For comparison, the city of Pardubice had just 12 risks evaluated. No identified risk was higher than 10 in the assessment.

Tab. 7» Risk Analysis: Organisational risks of the city of Ústí nad Labem.

Order	Identified risk	Guest		
		P	D	V
1	Floods	4	4	16
2	The growth of the spatial concentration socially excluded as a result of State policy, improperly set legislation or inappropriate behaviour of private entities outside the region	4	3	12
3-7	Other natural hazards-raindrops, thunderstorms, landslides and other natural hazards	3	3	9
3-7	Air degradation	3	3	9
3-7	The continuation of the economic recession – high unemployment – smaller bathability of the population, reduction of spending on culture and sport with a negative impact on the functioning of cultural and sporting organisations in the city	3	3	9
3-7	Demographic characteristics (population ageing) increased pressure on the network of social services equipment (and their financing), the continued outflow of young and educated	3	3	9
3-7	Disproportionately increasing demands of citizens, entrepreneurs, employers, partners towards the city	3	3	9
8-11	The decline of industrial, progressive industries, from which the main employers in the city (e.g. chemical industry) are recruited and the associated risk of increasing unemployment	2	4	8
8-11	Social problems and loss of prestige resulting from possible departures of significant institutions	2	4	8

Tab. 7 » continues on the next page (p.19)

Tab. 7» Risk Analysis: Organisational risks of the city of Ústí nad Labem.

Order	Identified risk	Guest		
		P	D	V
8-11	Industrial and similar accidents, large fires, mass accidents, etc. Within or near the city	2	4	8
8-11	Other risks defined in the context of the crisis management of the city	2	4	8
12-13	Significant deterioration of other environmental compartments	2	3	6
12-13	Traffic collapse as a result of the unbuilt D8 motorway	3	2	6
14-15	Terrorist attack, looting and similar risks	1	5	5
14-15	Major epidemics, pandemics and similar situations in the city	1	5	5
16-17	Theft of property, cash, vandalism and the like	2	2	4
16-17	Significant damage to the reputation (image) of the city, eg. From the media side	2	2	4

Source: Authors, according to the documents from Ústí nad Labem

Overall, Ústí nad Labem identified and evaluated 52 risks (Pardubice 44), of which 10 were assessed as large (Pardubice 8). The highest risk value in both cities was reached by the “flood” risk which was rated in Ústí nad Labem at 16. This was significantly reflected in the bad experience with floods in Ústí nad Labem (2013, 2002, but also 1939, 1920, 1890, 1876 or the largest in 1845).

4 CONCLUSION

The research dealt with the issue of risks in relation to the issue of municipalities. The comparison of the average population of the municipality within the CEE countries shows that the Czech Republic has the lowest average number of inhabitants in its municipalities. The basic objective of the municipality is to take care of the development of its territory, the quality of life of its inhabitants and the quality of provided public services. It is difficult for small municipalities to achieve this basic objective, inter alia because it is difficult to achieve economies of scale. With regard to the fact that we perceive risk as a danger of the occurren-

ce of an event that may negatively affect the achievement of the set goals and the large number of small municipalities in the Czech Republic can be understood as a significant risk factor in terms of their financing. At the same time, this creates a great potential (opportunity) for inter-municipal cooperation and for alternative public service delivery practices.

The second objective of the article analyzed possible ways of providing public services by municipalities. The analysis of the legal environment in the Czech Republic and the possibility of providing public services implies that each municipality can provide services for its inhabitants through various procedures, directly (especially the municipal office) or indirectly. These options also differ in the level of risk they are associated with. Very often municipalities also provide public services through a company or non-profit organization. Municipalities also have alternative options when providing public services. There are different options for alternative provision - bundled purchases, different forms of municipal cooperation to provide public services and the like. Again, it is necessary to carefully identify, assess (analyze), manage and monitor risks according to local conditions.

The third objective of the research was to prepare a case study of the risk analysis of the city of Ústí nad Labem. Overall, Ústí nad Labem identified and evaluated 52 risks, of which 10 were assessed as high (with a value of 10 and higher). The highest risk was related to floods (16). For comparison, the City of Pardubice identified and evaluated 44 risks. The comparison of these two comparable cities in the Czech Republic shows that the risk analysis in Ústí nad Labem significantly reflected the bad experience with floods. Furthermore, it is important to note that the Ústí nad Labem Region is one of the economically (negatively) affected regions where there is higher unemployment and considerable problems with socially excluded localities.

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