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Influence of the organisational and legal changes in the Municipal Sports and Recreation Centre on effectiveness of the provided services

Abstract

The author of the article makes the research hypothesis that the local governments should join the restructuration programs of the municipal companies with more engagement because there are too less changes which would allow more efficient, cheaper and more competitive their management. Privatization is one of the restructuration methods recommended by the local governments which already have executed it. These are the actions which many local governments needlessly refrain and postpone them in time being afraid of sizes and scale of the changes in a company after their implementation. The local communities lose on such proceeding as they are forced to use expensive low-quality services. The purpose of the article is evaluation whether the change of the organisational and legal form from the budget unit to the limited liability company is effective. There will be used analysis of literature studies and source data concerning the Municipal Sports and Recreation Centre limited liability company in Radom to solve the created research problem. Results of the conducted research were included in the summary in points from 1 to 9, which prove that the assumed research's goal in the article's introduction has been achieved.

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Introduction

Let us quote what some contemporary researchers of services included in the literature of the subject. Thus, (Lange, 1967, p. 46) thinks that the services are activities related to satisfying of human needs and they do not serve to satisfy direct production of materials goods. While Kotler in his work *'Marketing'* writes that a service is any action which one part can offer to another, it is intangible and does not lead to any property (Kotler, 1994, p. 53). Finally, (Chmielewski, 2001, p. 13) claims that the services are the third emerging sector of business activity which aim is to satisfy growing material and non-material needs.

In summary, it can be generally stated that the term service originates from economic theories and means all useful activities related to non-productive work in contrast to the activities leading to production of material goods. Taking into account non-material nature of the social services it is worth to remember about demarcation of a service from material tool of its provision (for example, swimming pool and swimming, tennis court and playing tennis, football pitch and playing a match on it). The distinction presents two essential levels of provision and consumption of the services:

- level of the services' infrastructure analysis,
- level of the services' satisfaction.

However, classical theorists coming from the property school claimed that public property of a land (or other permanent resource) inevitably means dispersion of responsibility and lack of constant aspiration to its smart using, taking care of it and keeping for further users. Aristotle, among other things, wrote about it: 'the more people are entitled to something, the less effort it can count on', that it becomes a team property (Aristoteles, 2006, p. 133). It can be confirmed by observations regarding the use of communities, which are devastated, overexploited because they can be used for free. The opinion can be confirmed by experiences of the local government authorities with parks and recreational devices (Hardin, 1968, p. 1243).

In the 1980s, a new public management's concept appeared in the western countries' literature (Now public management – NPM), which was a kind of managerial revolution in the public economy. The model

is aimed to release of the public sector's initiative by using funds from the private sector (Grzymała, 2010, p. 33). The new public management in a commune is reflected in the managerial management's model in which the NPM instruments can be used, such as for example the communal property's privatization, contracting services outside or public-private partnership. The model is based on the formula which brings benefits. It can be expressed by the equation: Privatization + Market + Competition = Efficiency + High Quality (Rosen , Gayer , 2008, p. 66).

In relation to the above mentioned, the local governments should become more involved in restructuring programs of the municipal enterprises. There are still too less changes realized which would allow to manage of the municipal enterprises in more effective, cheaper and more competitive way. One of the restructuring methods is the privatization what not only the Treasure Ministry and experts encouraged to but also the local governments which have already realized it. There are the actions which many local governments needlessly defend themselves and postpone them being afraid of extends and scales of the changes in an enterprise after its implementation. The municipal enterprises are often unprofitable and require investments. Mainly, local communities which are forced to use expensive services with low quality lose on it.

It has passed more than 30 years since the act of the local government was established and more than 20 years since the act of the municipal government. Hence, the normative regulation of economic activity which is subject of the research in this article is dispersed in numerous legal acts (mostly in the 90s of the last century). It caused that many researchers of the issue have focused on this problem trying to sort out the existing terminology in the literature. The commentary of the municipal economy act which analyses the most important issues related to its interpretation and related legal acts deserves special attention. It is based in major perspective on experiences deriving among others from practice. The study takes into account changes resulting from the act of commercialization modifying regulation relating to the municipal companies created from transformation of the municipal enterprises (Banasiński, Jarosiński, 2017, p. 103)

On the other hand, in the normative texts and the literature there are three the most common terms in this field. The terms include: 'municipal economy', 'public utility', 'economy activity'. The problematics of categorization of the concepts related to the communal property and the relation between them was dedicated the fifth chapter about the act of the municipal government (Cern, 2019, p.120) writes more about it in his monograph. However, M. Stec pays attention that a basic regulator and a factor having significant importance in consideration

of the inconsistencies and incompleteness of the legal solutions is judicial decisions which must be analysed and used in the course of business research of the local government (Stec, 2017, p. 33- 46).

Taking into account the above considerations in this article and time censorship, the investigated communal entity determines up to the moment of the transformation as a budget unit being part of a legal person which is a commune and after the transformation as a municipal company having a separate legal personality.

An instrument that allows to test effectiveness and efficiency of the operation are measures whose usefulness depends on correctness of their selection. The properly selected measures allow for a constructive assessment of the unit's functioning and as a consequence on increasing of the effectiveness of the incurred expenses. The measures provide information on both about degree of achievement of the assumed goals and the costs of their achievement in order to influence the decision-making process. Accordingly, the requirements for their construction become important. Emphasis on the effectiveness caused separation of the measures in terms of product, result and impact (Hałaburda, 2017, p. 18).

The product measures reflect execution of a task in the short term. They indicate on specific products (i.e., goods and services) obtained in the process of tasks' realization. Their task is evaluation of the achieved results (e.g., number of complaints about provided services, sales volume, etc.).

On the other hand, the result measures estimate direct effects obtained as a result of implementation of the tasks also in the short term (e.g., monthly number of working hours, number of employees).

Whereas, the impact measures describe long-term effects. They measure long-term consequences of the actions (Lubińska and others, 2011, 33), therefore they are the most difficult to construct because there must be considered the risk problem in them (e.g., surveying opinions of users of the goods and the services, safety of the provided services, etc.)

The aim of the article is to estimate whether change of the organizational and legal form of the entity from a budget unit to a limited liability company is rational and effective. Perhaps, it is according to the classical principle of economics, where it is claimed that actions will be rational if there is maximizing of an effect having given expenses. There can be used an analysis of literature studies and analysis of the source data concerning the Municipal Sports and Recreation Centre limited liability company in Radom, hereinafter referred MSaRC to solve the mentioned research problem. The community of Radom has 100% shares in the entity's company providing physical education and tourism services as well creating organizational conditions conducive to development of sport.

Specifics of communal services provision – theoretical approach

The local communities want to live in communities which are friendly and take care about them. This is usually reflected in prices and quality of the provided communal services which affect the standard of living. This is a purpose of competition which leads to lowering prices and favours increasing services quality. Changes in the municipal economy sector have just such market mechanics to be implemented in this area. It is necessary, because most of the communal companies although they act in the situation of natural monopoly, they also must take care of costs reduction and solicit of customers' satisfaction. Initiator (the commune), consumer (the local community) and manufacturer (MSaRC) are connected by some streams: reporting demand, delivering services and payments. The relations between the three participants of the services are presented on the figure 1.

Figure 1. Relations between the initiator of the services, the local community and the manufacturer.

Source: own study based on [Gruber, 2016, p. 73]

The municipal sector is a specific area of economic activity. The services due to existence of expensive infrastructure creating often by all residences of a commune cannot be subjected of a competitive struggle. The communities' authorities providing the services through their own business entities occur in a double role – the entrepreneur who should be oriented towards profit's maximization as well to be a representative of the local communities' interests and therefore they must take care of a competitive price and good quality.

Separation of the entrepreneur's role from the market regulator's role is a solution of the situation. The community should not run a business activity but only focus on being an initiator (the regulator) making sure that

the procedures and services quality which are interests of their residents are followed. The municipal economy includes mainly tasks of public utility nature which purpose is continuous and uninterrupted meeting of collective needs of the population through providing the commonly available services. The commune is responsible for ensuring adequate services supply but it does not have to realize them by themselves.

According to the constitutional acts among others, matters in the field of physical culture and tourism as well as creating of organizational conditions conducive to the development of sport belong to own tasks of the communes. In accordance with the municipal economy act the local government bodies can realize their tasks through own organizational units, including companies or organizing operation conditions for other entities. Choice of a form of the municipal services' organization is an element of a community's policy.

The simplest operation is to appoint a unit or a budget institution in a commune. It also allows keeping a full control over the entities. Decisions in the area have been left to the communities which were searching optimal models by trails and errors method on its own account. Form of the unit or the budget institution should be used exceptionally and only to a certain range of matters. The formula proves itself as it was presented in the literature in the units of small size activities, mainly with non-profit character.

However, it is related to some danger consisting of difficult situation of families and a large unemployment on a given area what can cause that the business activity of the local government will convert into a specific form of social help. The formula of the budget institution or the unit would then allow delivery of the services at lower prices than market ones and complement of financial shortages in the budget with a subsidy from the commune. However, it can distort financial transparency of the company and cause that the unit or the budget institution will not be interested in modernization of the production and reduction of the costs. Due to lack of competition, there will not be any motivation to lower the prices. There will also not be any interest to improve its profitability. It is caused by the fact that budget institution's financial surplus is not located in its fund. Management of the unit cannot allocate itself the funds on investments. In case of lack of profitability possible shortages are also covered from the commune's resources. It is also much harder to take a decision about employment rationalization.

However, the municipal companies operating on the basis of commercial law have more efficient modernization of the public utility services. They also enable establishing a partnership between the communes and acquiring external investors. At the same time with such solution the local government does not lose control over the company's operation.

As it appears from the above mentioned significant and effective role can play companies in the commune's activity. Their advantage is first of all that they are flexible form of organizing business activity including also communal by partners and in case of a sole proprietorship – by its founder it means the commune (Brol, 1993, p. 53).

The next step after transformation into a company is decision to acquire an investor and resale of parts of its shares. The resale package usually does not exceed 49% of the company's value. There are already many solutions in Poland where the local government decided to partial resale of the existing municipal companies. Advantage of the solution is acquiring of know-how from an ordinary foreign investor specialized in a given field and also funds for future investments (Żarska, 2007, p. 72).

The public utility's services are characterized by high share of fixed costs what affects a small possibility to lower the price. On the other hand, they operate in a stable demand environment what makes possible to lead a long-term planning and realization of the investment. Providing the public utility's services through the companies established by the communes brings more effective and rational use of the own property. Comparison of the employment's efficiency in the commercial law companies and in the form of the budget institutions presents definitely more effectiveness of the companies. In the municipal enterprise work efficiency is mainly determined by factors which are independent of an employee including in particular through implementation of mechanization and automation of many activities and it is much lower in comparison with other fields. Hence, it has limited cognitive value because it is mostly determined by demand's variability (Bachor, 2009, p. 103). In relation to the above mentioned, appears a question: whether transformation of the units and budget institutions into commercial law companies is a future of the municipal sector?

Organizational and legal changes in 1990 – 2019

In relation to the time censorship during the considered period from 27th May 1990 (the moment of the local government's reactivation in Poland) till 3rd June 1997 which is the date determined by the municipal economy's act ordering the local governments by the power of law to transformation of the municipal enterprises applying regulations concerning the state enterprises into the commune companies. The changes first of all were forced on the municipal enterprises which till 30th June 1994 did not perform the transformations by themselves what they were obliged by the regulations (The regulations putting into practice the act of the territorial local government, 1990). However, it is worth to notice that there were companies which previously felt the need of transformation

and they realized it, e.g. The Municipal Communication Companies, The Municipal Waterworks Companies, etc.

The second period, it means from 1st July 1997 till now includes changes of the organization and legal form of carrying out the municipal services and type of the restructuring which belongs to the competences of the TLGU (territorial local government units), however participation of the state in creating of the process seems to be advisable, especially in terms of co-creation, formal and legal, economical, educational or research environment. It is justified by a specific contradiction which takes place during the implementation of the municipal services by the TLGU, because the TLGU has here a double role, as an ownership authority of the enterprises and at the same time as representatives of local societies' interests. As a condition to overcome of the contradiction can be implementation of the market's mechanisms to the municipal economy, inter alia through ownership transformations, mainly commercialization and privatization of the municipal entities. The scale of the transformation seems to be insufficient, as in 2014 in the examined group of 1475 budget institutions:

- created 5 new budget institutions;
- created 4 budget institutions after transformation of the budget units;
- transformed 1 budget institution into limited liability company;
- liquidated 2 budget institutions (Information about the transformations, 2014)

The functioning economic entities can be categorized from different points of view and for different purposes. One of the criteria is the method of counting (connections) with the budget. From this point of view the organizational units are divided into units connected with the budget by gross and net method.

Figure 2. The system of counting with the institution's budget and the budget unit

Source: own study based on the (public finance act from, 2009).

The system of the net connections is divided into two types. The first is more typical and it relies on including to it the general difference between sums of the incomes from sales and sum of expenses to maintain a given unit. In case to keep a positive result, an enterprise makes payments to the budget, in the opposite case, it means a negative result the enterprise can be supplied in the form of a budget subsidy. Sometimes instead of the simple solution the connection system with the budget can be more complex, namely there are several balances including in the budget economy resulting from compensation of the sums of a different kind of incomes and expense. It should be noted, that within the net system some special resources functioned till 30th June 2005 but they did not matter too much.

The gross system is the second method of connections of the entities with the budget (full amount of the incomes and expenses). It finds usage in relation to the budget institutions. A characteristic feature of the units is that their expenses are covered by the budget; it means they are budget expenses. The obtained by them incomes are fully paid to the budget i.e., they are budget incomes. Therefore, it can be said that the budget institutions only administer incomes of a given budget institution. The method of the entities and budget's connections means that the whole sum of each income and each expense is a component part of the budget economy.

The public finance act from 27th August 2009 had one main purpose to improve the public finances, among others by limitation

of the organizational and legal forms of the sector and also to strengthen of the precaution norms in the TLGU budgets. Based on the new act, as it was mentioned the auxiliary farms were liquidated and the scope of the activities of the budget units limited to a specific catalogue of the own tasks (Sońta, 2010, p. 88). The transformation procedures in the capital companies differ fundamentally from the procedures in the entities of the local government's sectors both in terms of legal regulations as well organizational and legal ones. They are focused on the fact that the newly created entities were more effective in their activity and to exclude the risk related to their future functioning. In the study concerning the privatization pilot program 150 municipal enterprises it was claimed that majority of the municipal enterprises after the change of the organizational and legal form, mainly from the unit or the budget unit into the commercial law company – improved its profitability (Majewski, 2005, p. 66).

The essence of the corporate procedure of merger of the companies comes to that fact that from two separate economic structures and wealth masses is created one entity – an acquiring company or a newly established company.

Effectiveness of providing services after the transformation of the Municipal Sports and Recreation Center (MSaRC) into a company

The entities providing goods and services subordinated to the local government should operate according to the principles of efficiency and effectiveness which are often marginalized in practice (Szołno, 2016, p.10). The public finance act in its content repeatedly indicates importance of the efficiency and effectiveness imposing them on the public sector entities in terms of functioning and spending of the public funds 'with respecting the rules of obtaining the best results from the given expenditures and optimal selection of methods and means aimed to achieve the set aims' (Ustawa, 2009).

The effectiveness of spending the public funds should be considered as searching for savings in terms of application of the solutions which will maximize the effects (Matwiejczuk, 2006, p. 43). However, the savings should not be perceived as a mechanical reduction of the expenses and desisting of performing of some public tasks but as spending of resources in such a way to bring the greatest benefits. The effectiveness depends on achieving the set aims having the best ration of the incurred costs to the achieved results, hence the classic input-effect relation (Kachniarz, 2012, p. 23). On the other hand, the effectiveness means achieving the set aims what somehow marginalizes the cost's side. In the public finance sector, the effectiveness should refer to direct aims,

tasks and activities. Management of the effectiveness is based on monitoring of the relation between the costs and the achieving results. Precise and ongoing monitoring becomes a chance to obtain satisfactory results in realization of the entrusted tasks.

An instrument which allows to test the effectiveness and efficiency of the operations are measures, which usefulness depends on correction of their selection. Properly selected measures allow for a constructive assessment of a unit's functioning and, as a consequence, increasing of efficiency of the incurred expenses. The measures provide information both about level of the set aims' realization and costs of their achievement in order to influence on the decision-making process. Therefore, their construction's requirements become important. Emphasis on the effectiveness and efficiency resulted in separation of the measures in terms of product, result and impact.

The product measures reflect execution of a task in a short time horizon. They indicate specific products (i.e., goods and services) obtained in the tasks' process execution. Their task is to evaluate the achieved results (e.g., number of complaints about the provided services, sales value).

On the other hand, the result measures measure direct effects obtained as a result of the tasks realization also in a short time horizon (e.g., monthly number of working hours, employment's level).

While, the impact measures describe long-term effects. They measure long-term consequences of actions (Lubińska et al., 2011, p. 50-69) therefore they are the most difficult to be constructed because the risk problem should be assessed in them (e.g., surveying opinions of users of the goods and services, safety of the provides services).

The Municipal Sports and Recreation Centre limited liability company in Radom was established in 2004 as a result of liquidation of the budget institution with the same name. Sport facilities of the MSaRC are: Orka, Delfin and Aquapark Neptun swimming pools; playground with artificial surface; athletics and football stadium; sports hall; Borki recreation centre; artificial ice rink. As it results from the above it is a significant property which assets reach 85 million PLN. Moreover, the MSaRC has many investments and among them construction of a football stadium at the Struga street which is dedicated for 15 thousand viewers. The residents of Radom can use the City Bike program since April 2017.

Entities using the services provided by the MSaRC were divided into four categories, they are:

- organizational units of the City Radom commune conducting sports trainings (e.g., physical education, sports classes), non-governmental organizations with public benefit activities and volunteering,

- non-governmental organizations conducting statutory activities in the field of dissemination of the physical culture,
- other non-governmental organizations including sports clubs which do not run a business;
- individuals.

The basis to charge a fee for using the public services provided by the MSaRC is a statute specifying type of an object and price (Directive no. 1165/2016 of the President of the Radom City). There are 45- and 60-minutes time diversity of using the services affecting the price what is presented in the price list. The services provided until 4 p.m. are cheaper and after 4 p.m. the prices are higher. The type of a category using the services has also influence on the price. Finally, the fact whether the service is provided in a weekday, Saturday, Sunday or holiday has an impact on the price. From the above mentioned it follows that the main factor affecting the price is a demand for it in a given time and standard of the provided services. It is worth to add, that children up to 3 years use free of charge, while students, schoolchildren, disabled people, pensioners, retired people pay a reduced price.

This part of the thesis will be focused on evaluation of effectiveness of the provided services after the transformation of the MSaRC into a company. Operational efficiency measures of the MOSiR functioning were presented in the table 1. There was performed evaluation of effectiveness and verification of the assumed research hypothesis based on them that change of the organizational and legal form from a budget unit into a limited liability company has improved functioning of the MOSiR.

The research sample consisted of 30 employees employed in the audited company and in the supervisory body of the City Hall of Radom. There were people who were well informed regarding the studied issue. Selection of the sample relied on selecting of the employees employed before and after the performed changes. The study covered period of 6 years i.e., from 2014 (the year of transformation of the budget unit into the limited liability company) till 2019. The year 2020 was excluded from the research due to the financial turbulence related to the pandemic and thus other conditions of the company's functioning.

Scale of the effectiveness' evaluation was set from -2 to +2 of each criterion included in the table 1. Next, the number of the obtained points from the survey was multiplied by a criterion factor included in the description under the table. Moreover, in the 'no-change' column there was given in brackets a number of respondents who have chosen such evaluation. It is surprisingly high amounting even 164. Taking into account too short period of the company's functioning in the new organizational and legal form; such phenomenon should be considered as normal.

Table 1. Evaluation of the effectiveness of the provided services of the MSaRC after the transformation into a company

No.	Evaluation in the range	Much better	Little better	Without changes	It is worse	Much worse
1	Sales increase	+20	+8	0 (4)	- 6	-4
2	Increase in profitability		+5	0 (10)	- 10	-10
3	Decrease of costs			0 (15)	- 10	-10
4	Improved flow		+ 10	0 (10)	- 5	-10
5	Increase in investment expenditures	+ 30	+15	0		
6	Improvement of the services' quality	+ 10	+15	0 (5)	- 5	
7	Improvement of profitability index of the equity capital	+ 40	+ 5	0 (5)		
8	Improvement of management's effectiveness	+20	+10	0 (10)		
9	Better relations with the commune	+20	+10	0 (10)		
10	Employment growth		+5	0 (25)		
11	Increase of employees' wages		+5	0 (25)		
12	Increase of fees' tariff			0 (25)	- 5	
13	Safety of the services' provision		+ 5	0 (20)	- 5	
14	Total	+ 120	+ 93	0(164)	- 46	-34

Description: much better + 2, little better +1, without changes 0, it is worse - 1, much worse - 2.

Source: own study based on the carried out survey.

After the transformation of the MSaRC into the limited liability company and performing evaluation of the basis economical and financial indexes, it should be noted that the sales increased, however the fact did not cause increase of the profitability. It is also worse in terms of the cost's reduction. However, the situation in terms of quality of the provided services has been slightly improved. It was also noticed a slight improvement of the company's financial solvency. The situation is much better in terms of increase of the investment expenditures what the company has influence in terms of access to the financial resources (bank loans, leasing, aid funds from the UE). The significant improvement of the profitability index of the equity capital deserves attention. During the considered period, both the wages as well the employment's level remained unchanged. There was observed a slight increase in the wages among the least-paid people what was related to legal regulations concerning the minimum wage.

The effectiveness of the company's management has been improved what resulted better relations with the commune. Finally, another problem is a level of the tariffs. The budgetary institution did not have to charge the depreciation, so the tariffs were relatively lower in comparison with compared to the ones agreed by the MSaRC. On the one hand there is assumed that the enterprises should be profitable, on the other hand they realize a social mission to meet basic and necessary needs. They should not strive to maximize the profits what would be quite easy to implement with monopolistic position on the local market. Reconciliation of the economic function with the social one would make impossible automatic applying of the market price (Sadowy, 2010, p. 65).

It must be noted that the MSaRC was not a dominant company on the Radom market in the field of the swimming pool and artificial ice rink services and it had a competitive commercial company operating on the Slonecza Housing Estate. The swimming pool was put in service recently, so standard of its equipment is more modern and thus the provided services are diversified and at a higher level. In the initial period of its functioning the fees were comparable with the municipal company to attract the customers and next when they have been gained the prices were increased. It is worth to notice that the swimming pool is located in the city centre close to the Slonecza Housing Estate and it has a large parking as well convenient access by the public transport communication what is an additional advantage influencing usage of its services.

The conducted survey according to the age groups in different sports facilitates of the MSaRC took 100 people of the local community^{**}. The respondents could give more than one possibility; hence sum of the points can be more than the surveyed population in the given age group.

Table 2. People who used the services of the MSaRC by age

Age	Mass events*	Swimming pool	Water Sports	Winter Sports
0 - 17	25	25	16	14
18 - 30	35	20	10	15
31 - 50	20	22	5	6
50 +	15	15	2	3

* matches and sports competitions

Source: own study based on the carried out survey.

^{**}The survey was conducted by students of the UTH in Radom as a part of physical education subject.

It results from the survey that the greatest interest in all the age groups had the mass events and on the second position was located the swimming pool. The water and winter sports had similar interest among the age groups because they are sport which can be played in summer or winter season. The times when swimming pools were built outdoor and they were used only in summer season gone forever. The motives why the respondents used the services are willingness to spend free time actively what declared 50% of the surveyed people, improvement of physical fitness 30%, promotion of attitudes to improve health 20% (especially in the age group plus 50). There were met disabled people with their cares among the respondents what should be considered as a positive phenomenon because it prevents their social exclusion. Analysis of the effectiveness of the MSaRC services provision after the transformation into the company is presented in the table 3.

Table 3. Evaluation of the effectiveness of the provided services of the MSaRC after the transformation into a company by the recipients

Evaluation in the range of	Much better	Little better	Without changes	It is worse	Much worse
Quality of the services	+ 58	+ 30	0 (20)	- 15	- 12
Tariff	+ 70	+ 20	0 (23)	- 12	- 20
Safety	+ 78	+ 25	0 (22)	- 10	- 8
Total	+ 206	+ 75	0 (65)	- 37	- 40

Description: much better + 2, little better +1, without changes 0, it is worse - 1, much worse - 2.

Source: own study based on the carried out survey.

The analysis shows that quality of the services increased but there was also observed increase of the tariffs. There are also people who are sceptical about the fact. Referring to the safety on the stadiums and the swimming pools the evaluation was positive. However, after one of the lost football matches by Radomiak a group of hooligans invaded a nearby Lesniczowka park and there they released their negative emotions by destroying benches, overturning waste bins, breaking young trees. It was hard to believe that heavy concrete bins were scattered all over the park. It happened because the police had been protecting the streets while the park was unsecured. It should be noted that the occurrence was incidental, because since then passed four years and there were not observed any similar situations.

An important aspect for the MSaRC is the fact that the company conducts a lot of investments and therefore it has a status of an internal entity authorizing it to provide public services and neglecting a tender

procedure what has quite important significance. The case was a subject of the NSA judgement (Act signature II GSK 105/05, 2005). Moreover, according to the jurisdiction of the European Court the internal entity must meet the following criteria together.

- it is a different legal unit than a purchaser from a formal point of view,
- the purchaser performs in relation to the unit control permissions analogical like against to its own organizational units,
- the entity performs a significant part of its activity instead the purchaser.

The test of verifiability whether the MSaRC is an internal entity requires answers on the above questions.

- the MSaRC is other separate legal unit than the Radom Commune stakeholder,
- the Radom Commune stakeholder performs control permissions in relation to the company what is based on the defined statute by above all unanimous taking resolutions in the most strategic decisions regarding the company's operation,
- the MSaRC will perform activities for the Radom Commune which will be ordering tasks according to its needs.

Answers for all the premises are affirmative and therefore there is no doubt the MSaRC is an internal entity.

The fact of entrusting the own task will allow the Radom Commune to perform an effective control of the way of the own task's realization what is a matter of fundamental importance for the city and its residents. There will be provided in this way, high quality services which are not focused on realization of commercial purposes but social ones. In case of entrusting a commitment to provide services for the internal entity, a price which the Radom Commune pays for realization of the services is only a reflection of the incurred costs by the company including a reasonable profit allowing the company to maintain an appropriate quality standard of its facilities. The reasonable profit understood as a return of capital which is considered as normal in a given member country has not been defined in a rigid way. The amount up to 6% was a proposal of the Ministry of Regional Development in the area of financing from operational programs of the entities realizing the obligation to provide the services (version from 16th January 2009).

A detailed regulation of conditions for the company to perform an entrusted task and mechanism of financial calculation between the Radom Commune and the company are a subject of arrangements made on the basis and within limits resulting from the execution contract.

Table 4. Advantages and disadvantage of the MSaRC functioning as an internal entity

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> - quick and easy realization of the services - favourable condition of the services' realization - saving time - possibility of focusing the communes on other tasks 	<ul style="list-style-type: none"> - no pressure from competitors - lack of motivation from the MSaRC - lack of rationalization on the expenses' side - greater supervision from the commune's side

Source: developed based on the research carried out in the MSaRC limited liability company in Radom

Anyone should be aware that the advantages and the disadvantages of the internal entity's functioning can be considered from the company and the owner point of view as well as the recipient of the service what means a consumer. Therefore, the formulated advantages and disadvantages can be debatable it means that what is an advantage for one side; it can be a disadvantage for the other. It was proved based on the results of the carried out survey included in the tables 1, 2 and 3.

Summary

It results from the carried out analysis that the changing legal regulations which were targeted on the forms more effective at the given time had influence on the organizational and legal changes of the MSaRC. In the studied period there was observed the changes starting from the municipal enterprise functioning on the basis of the regulations of the state enterprises' act to the commercial law companies. The situation has been changed when Poland jointed the EU. The public aid which in the EU as a rule is prohibited to the member states according to the act 107 paragraph 1 of the Treaty about functioning of the EU, the C 326/49, 2012 Official Journal of the European Union also in relation to the municipal sector what is an essential element of proceeding of the competition on the market was limited. There was implemented a new form of the internal entity for a transitional period. Whether the time will be properly utilized by the municipal enterprises and local governments, will be shown in the future?

The arguments for creation of the M.S.a R.C. limited liability company to manage the sports and recreation facilities comparing to the commune's budget institution are:

1. Running a business in the form of a company increases autonomy of the unit and motives to search additional possibilities on the market.

2. Management of the company as 'on its own' and it is interested in reduction of the costs, because the savings' effects remain in the enterprise and they are not transferred to the commune's account as it is in case of the commune's budget institution.
3. Possibility of extending the scope of the activity outside the commune and beyond the range of public utility at the same time maintaining the rules of providing the sports facilities to the commune's residents.
4. Possession of legal personality thanks to which it has possibility to individually gain capital, for example taking loans, leasing, entering into a public-law partnership or applying for aid funds; the budget institution does not have a legal personality what causes that in a certain sense it is an 'invalid' economic entity.
5. Separation of the obligations resulting from the company's operation beyond the commune's budget does not increase of the general budget debt.
6. The company offers opportunities of independent investment's activities (among others building of a sports and entertainment hall).
7. Quicker responding on the customers' needs even due to independence in management of the company's resources.
8. Possibility to calculate depreciation.
9. Possibility of further VAT deduction what with the current legal status regarding the budget institutions become impossible.

It was claimed that the NPM tools like contracting services, leasing of property, managerial contract agreement is not much used by the company. As a result of transformation of the budgetary institution into the company it was found improvement of the effectiveness of some economic and financial indicators (OECD, 2019, p. 123). An important matter in the management of the municipal company is a skilful connection of social problems with the financial performance criteria. Factors affecting the model of the company's management are size of a city, territorial range of provided services and quality of staff. In relation to the above mentioned some researchers of the issue claim that there is not one the best universal model of management of a municipal company (Grzymała, 2010, p. 74). However, the commune should remain a unit controlling municipal activities on its area independently of the accepted model. The presented evaluation of the efficiency is a general nature. It was carried out on a small sample of respondents and therefore it will require further in-depth research.

The current pandemic situation does not have a positive effect on the changes which were made in the years prior to 2020 in the municipal sector. As a result of the lockdown, there was a significant decrease of provided services and thereby revenues. Some of the budgetary financial resources in 2020 were moved to fight with the coronavirus.

For this purpose, the city resigns among others from further operation of the Radom City Bike.

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