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THE TEMPORAL HORIZON OF BUDGET PLANNING IN THE CONTEXT OF LOCAL GOVERNMENT INVESTMENT TASKS

Together with the change in the character of territorial self-government, which includes an extension of the range of duties to perform and also taking over a number of functions previously performed by central government, the responsibility of territorial self-government has increased as regards obtaining financial means and their distribution. This has an influence on the construction of the annual budget, which constitutes a plan for realizing tasks. One feature that is integrally linked to budget management is the fact that a budget must always be determined over a span of one year, which is necessitated by practical reasons and planning technique. The one-year-long scope of the budget is thus an unwelcome requirement, yet one that is commonly used.

Despite the fact that the generally classical form of this rule has been in operation for a long time now, attempts are being made within the law of public finances to introduce exceptions to the year-long budget period. Currently, it is postulated that as regards the temporal horizon of the functioning of the budget, that the principle should not be a one year budget period, but a budget plan extending over many years [Gail, 1992, 154]. Hence, the justification of the one-year-long validity of the budget is being questioned. This is mainly related to the difficulty of such budgets in adjusting to the needs of financing investment tasks. However, in principle the necessity of budget planning within a one-year scope has not been undermined. Planning of budget income over many years is virtually impossible without appropriate, and possibly – precise – ways of modeling the level of income within the perspective of one year, since ex-

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tending planning over many years should be a synthesis of the experience gathered from projecting several budgets of a local government unit [Gilowska, 1998, 197].

The one-year-long validity of the budget period is the hardest to adjust to the needs of financing investment tasks, which rarely have the character of incidental or partial enterprises, and can equally rarely be performed within one calendar year. Moreover, frequent exceeding of the planned duration of the investment cycle, so frequent in practice, as well as exceeding the planned cost of the realization of investments, cause budget expenses, which are planned for individual years not to correspond to the real expenditure needs in this respect [Gajl, 1992, 239].

The regulations in force create certain foundations for lengthening the temporal horizon of budget planning. This is possible, however, only within a limited scope. The solutions which aim at lengthening of this period include the following: planning investments implemented over many years¹, the inclusion in budget limits of expenditure on many-year programs², non-expiry of expenditure, which is determined by an acts or a decree, at the end of the budget year.³ In all these cases, which refer mainly to investment expenses, the principle of the one-year validity of the budget is overridden, as is the principle of the constant length of the period to which the budget refers and the principle of performing the tasks covered by the budget (according to the counting-house method of executing the budget). Provisional as they are, these measures allow, though only partially, disregarding the principle of the one-year validity of a budget. Still, they clearly indicate the need for introducing new principles aimed at a transition, as regards budget economy, from a system of one-year budget to a system of long term budgets.

In order to determine in what way the character of the one-year validity of a budget affects the realization of investment tasks, the investment activity of Opole in the years 1991–2000 was examined. The objects of the research were all the investment tasks, planned and carried out in this period. The research included records of the budgets of the

¹ Article 78 of the Act on Public Finances of 26.11.1998 [Dziennik Ustaw, 1998a, 1999, 1999a, 1999b, 1999c, 1999d, 2000, 2000a, 2000c, 2000g, 2000h, 2000i, 2001, 2001a, 2001b, 2001c, 2001d, 2001e, 2001f, 2001g, 2002, 2002a].

² Articles 80 and 110 of the Act on Public Finances which refers to expenses of the state, Art. 64 of the Act on the Government of the Province of 5.06.1998 (Dziennik Ustaw, 1998, 1998a, 1998b, 2000a, 2000b, 2000c, 2000d, 2000e, 2000f] with reference to expenses borne by local government.

³ Articles 102 and 130 of the Act on Public Finances.

city, which had been accepted before introducing any corrections, as well as reports on their realization in the years 1991–2000.

It follows from the analysis that during the period examined the local authorities of Opole planned a total of 511 investment tasks. In consequence of the changes introduced during each budget year, altogether 711 investment projects were realized. The total number of the tasks realized by Opole in the years 1991–2000, in the system of sectors of budget classification is shown in Fig. 1.

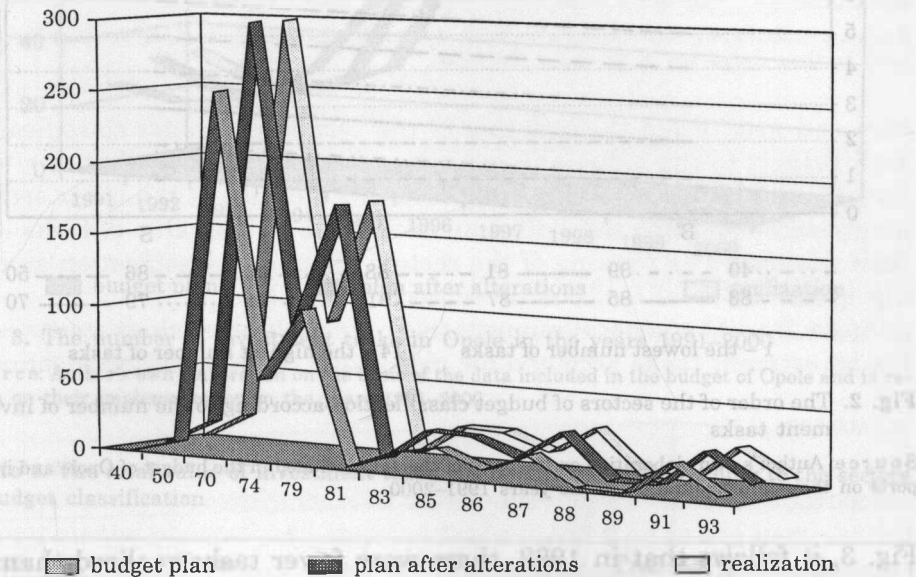


Fig. 1. The total number of investment tasks of the city of Opole according to sectors of budget classification.

Source: Author's own elaboration on the basis of the data included in the budget of Opole and in reports on their implementation in the years 1991–2000.

The data presented shows that independent of the fact whether the analysis covers the number of planned tasks in the primary budget, or the ones included in the report on their realization, the three sectors that include the most projects are the following: sector 70 – communal management, sector 79 – education, and sector 74 – housing management and non-material communal services. Fig. 2 presents the order of the sectors of budget classification according to the number of investment tasks.

A similar analysis was carried out examining the number of tasks realized in particular years of this period. From the data presented in

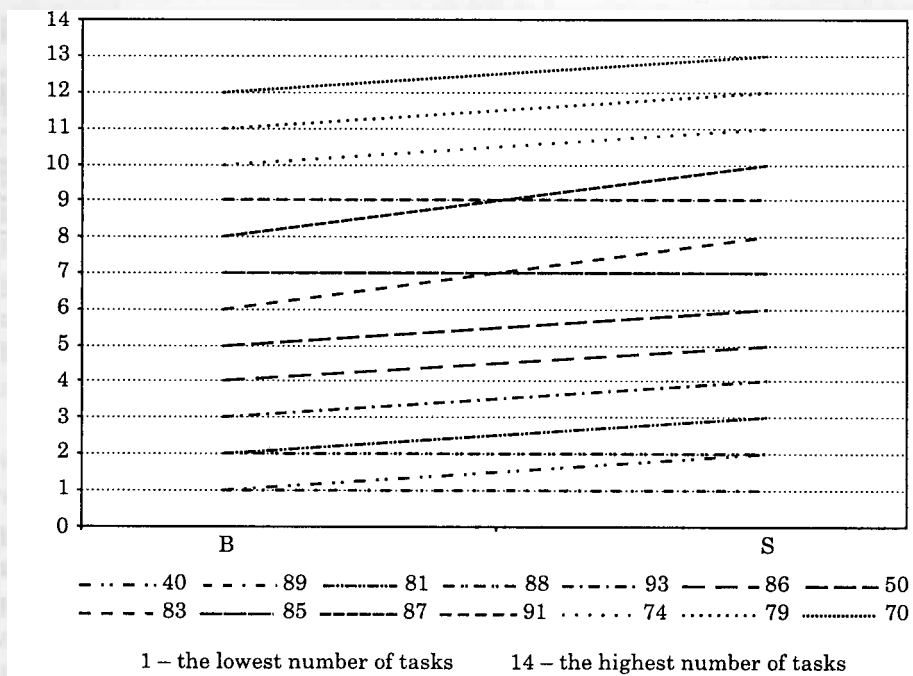


Fig. 2. The order of the sectors of budget classification according to the number of investment tasks

Source: Author's own elaboration on the basis of the data included in the budget of Opole and in reports on their implementation in the years 1991–2000.

Fig. 3, it follows that in 1992, there were fewer tasks realized than in 1991. However, from 1993 until 1998 a stable increase in the number of implemented investment tasks was recorded. Moreover, 1998 was characterized by the greatest number of realized tasks, which was conditioned by the necessity of making extensive repairs after the flooding of 1997. Since 1999 there has been a decrease in the number of realized tasks (there were fewer tasks realized in 2000 than in 1996).

Apart from the quantitative characteristics of the investment activity of Opole, one can also assess the value of the financial expenditure on the realization of the tasks undertaken. The total value of the investment projects in Opole within the system of budget classification is included in Table 1 and illustrated by Fig. 4.

The data presented show that independent of the fact which category of values we assess (P, PAC, or R), the group of sectors with the highest value of realized tasks is as follows: sector 70 – communal management, 74 – housing management and non-material communal services, 87 – physical culture and sport, 79 – education, 50 – transport and 83 – cul-

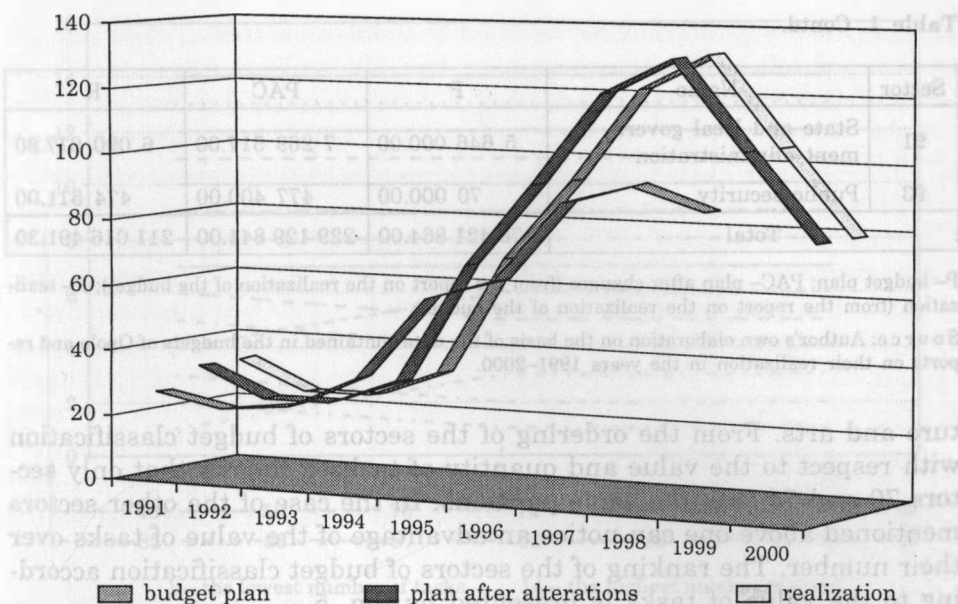


Fig. 3. The number of investment tasks in Opole in the years 1991–2000

Source: Author's own elaboration on the basis of the data included in the budget of Opole and in reports on their implementation in the years 1991–2000.

Table 1. The total value of investment tasks of the city of Opole according to the sectors of budget classification

Sector	Name	P	PAC	R
40	Agriculture	0.00	50 000.00	38 321.00
50	Transport	11 786 593.00	18 216 171.00	16 595 836.00
70	Communal management	91 580 887.00	116 814 343.00	107 883 971.60
74	Housing management and non-material communal services	20 028 543.00	25 837 941.00	21 563 633.30
79	Education	12 846 771.00	18 500 320.00	17 828 677.60
81	Higher Education	250 000.00	450 000.00	450 000.00
83	Culture and arts	11 527 109.00	12 234 127.00	12 178 650.00
85	Healthcare	7 116 950.00	9 365 246.00	8 692 718.00
86	Social aid	154 462.00	185 362.00	183 256.00
87	Physical culture and sport	15 386 549.00	19 698 417.00	19 005 099.00
88	Tourism and recreation	28 000.00	28 000.00	28 000.00
89	Other activities	0.00	3 000.00	3 000.00

Table 1. Contd.

Sector	Name	P	PAC	R
91	State and local government administration	5 646 000.00	7 269 517.00	6 090 817.80
93	Public security	70 000.00	477 400.00	474 511.00
Total		176 421 864.00	229 129 844.00	211 016 491.30

P- budget plan; PAC- plan after changes (from the report on the realization of the budget); R- realization (from the report on the realization of the budget)

Source: Author's own elaboration on the basis of the data contained in the budgets of Opole and reports on their realization in the years 1991-2000.

ture and arts. From the ordering of the sectors of budget classification with respect to the value and quantity of tasks it follows that only sectors 70 and 74 took the same positions. In the case of the other sectors mentioned above one can notice an advantage of the value of tasks over their number. The ranking of the sectors of budget classification according to the value of tasks is presented by Fig. 5.

Apart from the general quantitative and qualitative characteristics of the investment tasks accepted for realization by the local authorities of

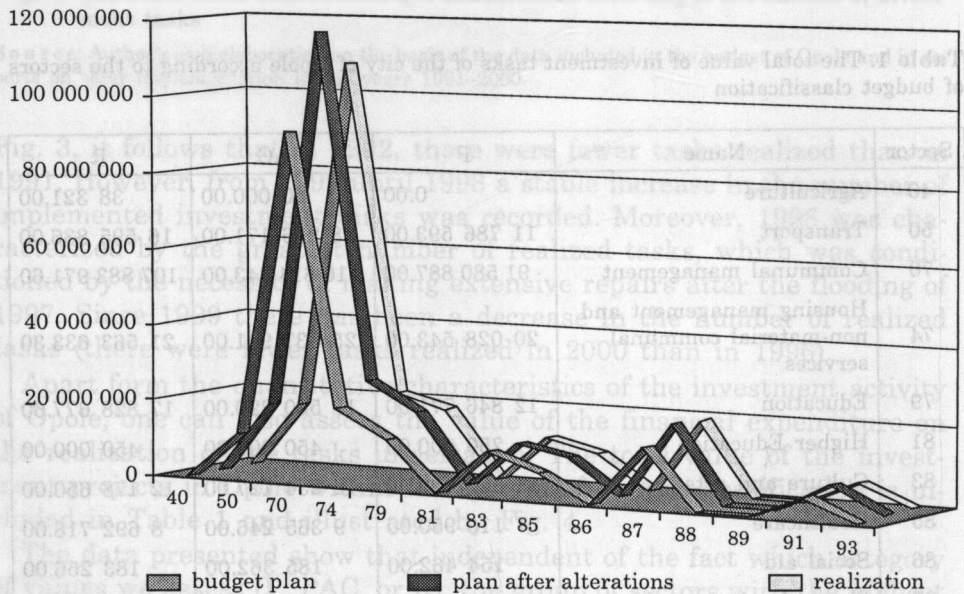


Fig. 4. The total value of investment tasks of the city of Opole according to the sectors of budget classification

Source: Author's own elaboration on the basis of data in Table 1.

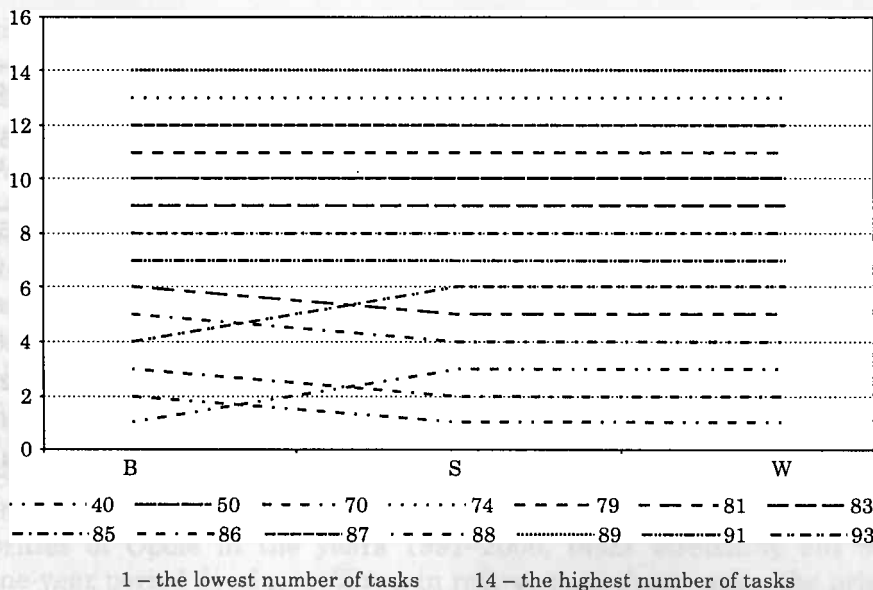


Fig. 5. The order of the sectors of budget classification according to the overall value of investment tasks

Source: Author's own elaboration on the basis of data in Table 1.

Opole, the time horizon of their realization was also examined. For the needs of such an analysis, 351 investment tasks were selected from among all the planned and realized tasks (according to the name of the task), which were realized over different time intervals during the examined period.

A classification according to the duration of the cycle of their realization was made within the group of selected tasks. 23 tasks differentiated, which were included in the accepted budgets, yet which – as a result of introduced changes – were removed from the realization plans. Out of the remaining tasks, 181 were carried out in a one-year-long cycle, while 147 were undertaken over more than one year during the examined period. The realization of tasks over many-year periods does not entail, however, their continuation in subsequent years. Considering the tasks, designed as many-year projects, there are cases of such tasks not being carried out in a given year, ones of tasks being annulled and instances of pauses in the execution of some tasks. Furthermore, tasks were identified which were planned to be realized within one year, yet their appearance in other years of the period examined causes them to be treated as tasks extending over many years. The cases mentioned above which accompany the many-year tasks are presented in Table 2.

Table 2. Reasons for a lack of continuity in the realization of tasks

Years of realization	0	1	2	3	4	5	6	7	8	9	10	Total
Number of investment tasks	23	181	72	34	16	12	2	2	1	4	4	351
Including:												
Tasks unperformed	—	3	1	—	1	—	—	1	—	—	—	6
Tasks annulled	—	8	3	4	1	3	—	—	—	—	—	19
Tasks with breaks:	—	3	10	5	6	5	1	2	0	4	0	36
1 year	—	2	6	4	5	5	—	—	—	4	—	26
2 years	—	1	1	—	—	—	—	—	—	—	—	2
3 years	—	—	1	—	—	—	1	2	—	—	—	4
4 years	—	—	2	1	1	—	—	—	—	—	—	4

Source: Author's own elaboration on the basis of the data contained in the budgets of Opole and reports on their realization in the years 1991–2000.

Assessing the continuity of the realization of many-year tasks, one should pay attention to the question of agreement between the times of commencement and completion of individual tasks as included in the budget and in the report on their realization and the times such plans were entered in the budget. Out of the group of 351 investment tasks selected, 68 presented a discrepancy in this respect. Table 3 shows an ordering of tasks according to their consistency with given time limits.

Table 3. Classification of tasks according to consistency with the given time limits

Time limit for realization (year)	0	1	2	3	4	5	6	7	8	9	10	Total
Number of tasks												
Consistent	—	153	54	25	12	7	1	1	1	2	4	260
Inconsistent	—	28	18	9	4	5	1	1	0	2	0	68

Source: Author's own elaboration on the basis of the data contained in the budgets of Opole and reports on their realization in the years 1991–2000.

A comparison of the time-limits for the realization of selected tasks, as recorded in the budget and in reports on the realization of tasks, indicates discrepancies in many cases. These consist of the fact that a given task is planned to be realized in a given year or over a few successive years, while the indicated time-limit of its realization covers previous years, in which the given entry does not appear at all. A similar phenomenon is observed with reference to indicating the time of completion of

a given task. In this case the records of the previous budget year point to the fact that this task should still be in progress in the following year or in subsequent years. In such cases it is hard to determine whether the given task was completed or stopped.⁴

Another example of a certain kind of carelessness in making a list of planned or realized investment tasks also indicates the fact that in the case of tasks which were removed from the budget in a given year and then introduced in the plan in following years, the time recorded as the commencement the task includes the year in which the task was entered in the budget for the first time, and then cancelled. Records of this sort make it difficult – in the case of the 64 tasks in which inconsistencies appear – to indicate the actual time of the beginning, completion or further realization of the task.

Summing up the results of the research carried out, it may be concluded that in the structure of investment tasks, realized by the local authorities of Opole in the years 1991–2000, tasks stretching out over a one-year period dominate. Thus, in reference to these tasks, the principle of the one-year validity of a budget does not contribute to forming considerable discrepancies as regards their planning and realization. Changes that appear within this category, or resignation from the realization of tasks, are of incidental character, which is similar to the tasks themselves. Nevertheless, in the case of tasks realized within a temporal horizon of longer than one year, certain deficiencies in planning and implementation procedures are revealed. A manifestation of the influence of the principle of the one-year-long validity of budget planning on longer term, continual and consistent investment activity is the undertaking of tasks which are executed continuously in successive budget years, yet which are still treated as one-year tasks. This attitude may be caused by fear of social and political consequences, which results from not fulfilling such long term tasks. Moreover, dividing such long term tasks into parts, carried out within a one-year horizon, may also be explained – or maybe above all – by the difficulty of assessing the level of budget income. This income is not only dependent on the policy and decisions taken by organs of the local government, but also on central government.

Time horizons for planning and carrying out investment tasks that stretch over many years definitely has a number of beneficial aspects which one year projects lack. Work directed at realizing a medium-term project of investment which results from, for instance, the economic pro-

⁴This would require carrying out additional research.

gram for the development of the city of Opole, could – to a considerable extent – define the order in which investment activity is carried out.

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