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Analysis of Voronezh Region's budget execution for 2021

Abstract: The Voronezh Region is one of the key agricultural and industrial regions of Central Russia. Therefore, the analysis of its budget policy is of particular interest in the framework of monitoring and forecasting the economic development of the Russian Federation. The study object is Voronezh Region's budget. The study subject is Voronezh Region's budget execution for 2021. The study's purpose is to analyse the financial statements of Voronezh region's Department for 2021. The study analysed the execution of the main characteristics of Voronezh Region's budget for 2021, Voronezh region's budget income and expenditure items for 2021, identified sources of financing the regional budget deficit and identified the main characteristics of the regional budget for 2022 and for the planning period 2023 and 2024. The author concludes that the approved and executed budget assignments for 2022 differ; there is a surplus in budget execution, the expense formation is based on available funds, i.e., revenues are closely related to expenses, forming budget execution characteristics analysis at the end of the financial year is a significant component necessary for the development of a draft budget for the next year and the definition of further areas of activity of public authorities.

Keywords: Voronezh Region, Voronezh Region's budget, revenues and expenditures of the regional budget, budget deficit and surplus.



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Анализ исполнения бюджета Воронежской области за 2021 год

Аннотация: Воронежская область является одним из ключевых аграрно-промышленных регионов Центральной России, поэтому анализ её бюджетной политики представляет особый интерес в рамках мониторинга и прогнозирования экономического развития Российской Федерации. Объектом исследования является бюджет Воронежской области. Предметом исследования является исполнения бюджета Воронежской области за 2021 год. Целью исследования является анализ отчетности Департамента финансов Воронежской области за 2021 год. В ходе исследования был проведен анализ исполнения основных характеристик бюджета Воронежской области за 2021 год, статей доходов и расходов бюджета Воронежской области за 2021 год, выделены источники финансирования дефицита областного бюджета и определены основные

характеристики областного бюджета на 2022 год и на плановый период 2023 и 2024 годов. Автор делает вывод, что утвержденные и исполненные бюджетные назначения на 2022 год, различаются, в исполнении бюджета наблюдается профицит, формирование расходов основывается на имеющихся средствах, то есть доходы тесно связаны с расходами, формирование анализа характеристик исполнения бюджета по завершении финансового года выступает важной составляющей, необходимой для разработки проекта бюджета на следующий год и определения дальнейших направлений деятельности органов государственной власти.

Ключевые слова: Воронежская область, бюджет Воронежской области, доходы и расходы областного бюджета, дефицит и профицит бюджета.



Introduction

The budget is a form of formation and expenditure of a fund of funds intended for financial support of the tasks and functions of the state and local self-government (*Budget Code...*). No entity can exist without its budget, the main function of which is the fulfilment of expenditure obligations.

The Voronezh Region is a subject of the Russian Federation, which is part of the Central Federal District and the Central Chernozem Economic Region. It borders the Luhansk region and the Rostov Region in the south, the Belgorod Region in the west, the Kursk Region in the northwest, Lipetsk Region in the north, Tambov Region in the northeast, Volgograd Region in the southeast and Saratov Region in the east.

The area of the subject is 52216 sq. kms (51st place in Russia), and the population is 2,308,792 inhabitants (22nd place in Russia). The population density of the Voronezh Region is 44.22 people per sq. km. The largest city is Voronezh, which is also Voronezh Region's administrative centre.

The main branches of economic activity are industry (food processing, mechanical engineering, metalworking), agriculture (animal husbandry, crop production and fruit growing), transport, and electric power industry.

The body ensuring the development and implementation of the state policy of the Voronezh Region in finance on the territory of the Voronezh Region and exercising the powers of the internal state financial control body is the executive body of state power – the Department of Finance of the Voronezh Region (hereinafter – the Department).

The Department exercises powers in the following main areas (areas):

- drafting regional and consolidated budgets for the next financial year and planning period;
- economically sound forecasting of income and expenses;
- organisation of the execution of the regional budget according to the Budget Code, the laws of the Voronezh Region based on a consolidated budget list and a cash plan approved by the head of the Department of Finance of the Voronezh Region;
- preparation and submission of reports on the execution of Voronezh Region's regional and consolidated budgets and the budget of the territorial state extra-budgetary fund;
- implementation of the regional strategy, achievement of relevant goals and indicators in the subordinate field of activity;

- Voronezh Region's public debt management; regulation of financial relations between the regional budget and budgets of other levels;
- creation of conditions for the effective exercise of powers by local governments; improvement of inter-budgetary relations;
- interaction with local governments in the field of finance;
- implementation of financial control according to budget legislation (*Regulations on the Department of Finance of the Voronezh Region*).

The study object is Voronezh Region's budget.

The study subject is Voronezh Region's budget execution for 2021.

The study's purpose is to analyse the financial statements of the Voronezh Region Department for 2021.

Based on the purpose of the study, the following tasks were solved:

- analyse the performance of the main characteristics of the Voronezh Region's budget for 2021;
- analyse the Voronezh Region's budget revenue items for 2021;
- analyse the Voronezh Region's budget expenditure items for 2021;
- identify sources of financing for the regional budget deficit;
- determine the main characteristics of the regional budget for 2022 and the planning period of 2023 and 2024.

1. Analysis of the execution of the main characteristics of the Voronezh region's budget for 2021

The main characteristics of the regional budget for 2021:

- the projected total regional budget revenue in the amount of 143,592,134.8 thousand rubles, including gratuitous receipts in the amount of 47,234,535.2 thousand rubles, of which:
 - gratuitous receipts from other budgets of Russian Federation's budgetary system in the amount of 46,471,234.4 thousand rubles, including:
 - 10,166,213.5 thousand rubles of grants,
 - 20,216,510.1 thousand rubles of subsidies,
 - 7,305,865.6 thousand rubles of subventions,
 - 8,782,645.2 thousand rubles of other inter-budgetary transfers with a special purpose;
 - gratuitous receipts from the state corporation – Fund for Assistance to Housing and Communal Services Reform in the amount of 756,580.5 thousand rubles;
- total expenditures of the regional budget in the amount of 15,4378,749.1 thousand rubles;
- the projected deficit of the regional budget in the amount of 10,786,614.3 thousand rubles (*Conclusion...*).

The execution of the regional budget was carried out based on the Law of the Voronezh Region "On the regional budget for 2021 and for the planning period of 2022 and 2023" no. 129-OZ, dated December 26, 2020. During the year, the regional budget was adjusted to increase revenues by 12.6% (16,629.0 million rubles) and expenses by 17.8% (23,984.0 million rubles).

The projected deficit of the regional budget increased by 3.1 times or by 7,355.0 million rubles as a result of the clarifications. The plan was clarified mainly due to an increase in gratuitous receipts from the federal budget.

In fact, budget revenues amounted to 163,944.6 million rubles (110.6% of the plan), and expenses were incurred in the amount of 144,702.6 million rubles (91.0%). The budget was executed with a surplus of 19,242.0 million rubles.

The growth trend in the revenue and expenditure side of the budget in the reporting year has been maintained. In 2021, compared to the previous year, revenues increased by 20,005.4 million rubles or 13.9%, expenses increased by 7,104.6 million rubles or 5.2%, and the surplus increased by 12,900.8 million rubles or 3.0 times.

Non-fulfilment of the expenditure part of the regional budget amounted to 14,318.0 million rubles or 9% in 2021. The main reason is the balance of reserved funds related to the specifics of budget execution within the framework of the state enterprise “Public Finance Management of the Voronezh Region” – 6,508.0 million rubles.

Also, the reasons for non-fulfilment of expenses are the declarative nature of payments, savings based on the results of bidding and contract execution, violation of contract terms, the introduction of restrictive measures to prevent the spread of new coronavirus infection, and others.

2. Analysis of Voronezh Region's budget revenue items for 2021

The regional budget revenues amounted to 163,944.6 million rubles (110.6% of the plan) in 2021, including tax and non-tax revenues – 113,070.1 million rubles (117.3%), gratuitous receipts – 50,874.5 million rubles (98.1%). Compared to the previous year, the budget revenue side increased by 20,005.4 million rubles or 13.9%.

In the structure of regional budget revenues, tax revenues amounted to 66.5%, non-tax revenues – 2.5%, and gratuitous transfers – 31.0%. The structure of regional budget revenues in 2021 has changed compared to the previous year: the share of tax and non-tax revenues increased by 3.4 points.

Compared with 2020, growth is noted for all types of income: tax revenues increased by 16,860.5 million rubles or 18.3%, non-tax revenues – by 1,817.7 million rubles or 78.6%, gratuitous receipts – by 1,327.2 million rubles or 2.7%.

Over 5 years, the revenues of the regional budget have increased by 67,706.2 million rubles or 1.7 times. In terms of growth rates of tax and non-tax revenues of the consolidated budget from 2017 to 2021, Voronezh Region ranks fourth in the Central Federal District with an indicator of 157.8% (average growth rate of 154.7%).

Tax revenues amounted to 108,938.8 million rubles (117.2% of the plan), which is 16,860.5 million rubles higher than in 2020. Over five years, tax revenues have increased by 43,097.8 million rubles or 1.7 times. The key taxes (over 87.7%) that form the budget revenue side are corporate income tax, personal income tax, excise taxes, and corporate property tax. The tax revenue plan execution was performed by 117.2%, the budget received an additional 15,975.8 million rubles. Compared to the previous year, there is an increase in all types of tax revenues.

The main reasons for the increase in revenues compared to the previous year and the over-fulfilment of the plan are:

- corporate income tax – improvement of financial and economic activities of organizations. According to ROSSTAT data, the net financial result of organizations' activities in January – December 2021 increased by 1.7 times compared to the same period last year;
- personal income tax – an increase in the wage fund for 2021 by 7.4%;
- corporate property tax – growth of the tax base;
- taxes on goods (works, services) sold on the territory of the Russian Federation – an increase in the standard of excise taxes on petroleum products to the budgets of the subjects of the Russian Federation (8.5%), an increase in beer production (3.8%).

In recent years, there has been a positive trend towards reducing tax arrears credited to the regional budget. However, in 2021, it increased by 656.5 million rubles (35.2%), and as of January 1, 2022, the debt amounted to 2,521.5 million rubles.

Non-tax revenues came in the amount of 4,131.3 million rubles (121.7% of the plan), which is 1,817.7 million rubles (1.8 times) more than the level of 2020. The main share in the structure of non-tax income is income from the use of property, fines, sanctions and damages, and income from the sale of assets.

Revenues from the use of state-owned property amounted to 1,936.3 million rubles, which is 1,572.4 million rubles (5.3 times) higher than the level of the previous year. Planned appointments were also exceeded by 941.1 million rubles (1.9 times).

A quarter of non-tax revenues (25.0% or 1031.4 million rubles) are fines, sanctions, and damages. Compared to the previous year, they decreased by 196.4 million rubles (16.0%), and the plan was not fulfilled by 312.2 million rubles (23.2%). The reason is a decrease in the number of monetary penalties for traffic offences due to a decrease in the number of offences, including in connection with the unfavourable situation of the spread of coronavirus infection.

Revenues from the sale of tangible and intangible assets amounted to 595.9 million rubles, which is 1.9 times (by 281.3 million rubles) higher than the receipts of the previous year, the plan was fulfilled by 99.6%. At the same time, according to the subspecies of non-tax income, there is a significant deviation of the projected volume from the actual income: in terms of income from the sale of land plots, the plan was exceeded by 8.1% (44.1 million rubles), in terms of income from the sale of property, it was not fulfilled by 83.1% (46.5 million rubles).

Payments for the use of natural resources were formed in the amount of 145.4 million rubles (129.1% of the plan). The main part (85.2%) of these payments is the fee for the use of forests in the amount of 123.9 million rubles.

Other non-tax revenues amount to 163.8 million rubles, which is 2.8 times more than the receipts of the previous year (106.1 million rubles), the plan was fulfilled by 101.1%. More than half of other income comes from receipts for the issuance of permits for the use of land plots – 90.0 million rubles (an increase of 2.9 times or 58.7 million rubles compared to last year). This service is declarative in principle. A significant share of other income is accounted for by the fee for the installation of advertising structures – 66.5 million rubles, which increased by 29.3 million rubles (1.8 times) compared to 2020. In 2021, auctions were held, at which the object was an annual fee for 135 contracts for the installation and operation of advertising structures, payment was made in advance for the year.

Gratuitous receipts amounted to 50,874.5 million rubles (98.1% of the plan), which is 1,327.2 million rubles (2.7%) higher than in 2020.

Subsidies (38.9%), other inter-budgetary transfers and other gratuitous receipts (25.6%), and grants (20.6%) make up the main share of the total amount of gratuitous receipts.

3. Analysis of Voronezh Region's budget expenditure items for 2021

In 2021, 144,702.6 million rubles (91.0% of the plan) were allocated for the execution of the expenditure part of the regional budget, of which 142,078.5 million rubles (90.9% of the plan) were allocated for the implementation of Voronezh Region's state programmes, non-programme expenses amounted to 2,624.1 million rubles (96.3% of the plan). Compared to the previous year, expenses increased by 7,104.6 million rubles or 5.2%.

The share of programme expenses in the cost structure is 98.2%, non-programme expenses – 1.8%.

For 2021, the regional budget was formed based on 25 Voronezh region's state programmes. In the structure of expenditures, as in previous years, the main share is occupied by financing government programs implemented in the social sphere. Also, a significant part of the funds is directed to the implementation of Voronezh Region's state programmes "Development of the Transport System of the Voronezh Region", "Development of Agriculture of the Voronezh Region", and "Public Finance Management of the Voronezh Region".

Compared to the previous year, expenditures on state programme implementation increased by 7,415.9 million rubles or 5.5%.

The execution of the plan for state programmes and non-programme expenditures was carried out by 91.0%, and the volume of unfulfilled budget allocations amounted to 14,318.0 million rubles. To the greatest extent (more than 100.0 million rubles) was according to 12 state programmes.

4. Sources of financing Voronezh Region's budget deficit

For 2021, the regional budget was approved with a deficit of 10,786.6 million rubles, the execution was formed with a surplus of 19,242.0 million rubles.

As of January 1, 2021, the remaining funds of the regional budget, except the target ones, amounted to 11,630.1 million rubles, they were projected to be used to cover the deficit of the regional budget. As of January 1, 2023, their amount increased to 29,826.1 million rubles.

The key sources of the formation of balances at the end of 2021 are the over-fulfilment of tax and non-tax revenues and the non-fulfilment of the expenditure part of the regional budget.

At the first amendment to the Law of the Voronezh Region No. 2-OZ "On the Regional Budget for 2022 and for the planning period of 2023 and 2024", dated February 25, 2022, only 18,323.7 million rubles were allocated to cover the deficit.

According to paragraph 2 of Section IV of the minutes of the meeting of the Government Commission for Regional Development in the Russian Federation No. 1 "On tasks for the completion of the current financial year and the execution of budgets of the Subjects of the Russian Federation", dated September 23, 2021, and letter of the Ministry of Finance of the Russian Federation No. 06-09-09/89406, dated March 11, 2021, in order to effectively use additional income received in 2021 and it is recommended that the balances formed on January

1, 2022, be directed to the implementation of priority obligations, related to the increase in salaries of public sector employees in accordance with the decrees of the President of the Russian Federation, co-financing of the implementation of national projects, additional financing of capital works due to rising prices for construction materials, reduction of accounts payable of healthcare institutions, reduction of debt on market borrowings of Russian Federation's subjects, just like the formation of a reserve of funds to finance expenses in 2022 year.

5. The main characteristics of the regional budget for 2022 and for the planning period of 2023 and 2024

The main characteristics of the regional budget for 2022 (*On the Regional Budget for 2022...*):

- (1) the projected total revenue of the regional budget in the amount of 154,529,705.0 thousand rubles, including gratuitous receipts in the amount of 44,362,072.9 thousand rubles, of which:
 - gratuitous receipts from other budgets of Russian Federation's budgetary system in the amount of 43,998,897.9 thousand rubles, including:
 - 10,749,030.1 thousand rubles of grants,
 - 20,871,485.6 thousand rubles of subsidies,
 - 6,133,091.4 thousand rubles of subventions,
 - 6,242,290.8 thousand rubles of other inter-budgetary transfers with a specific purpose;
 - gratuitous receipts from the state corporation – Fund for Assistance to Housing and Communal Services Reform in the amount of 321,975.4 thousand rubles;
 - (2) the total amount of expenditures of the regional budget in the amount of 187,032,330.8 thousand rubles;
 - (3) the projected deficit of the regional budget in the amount of 32,502,625.8 thousand rubles;
- The main characteristics of the regional budget for 2023 and 2024:

- (1) the projected total revenue of the regional budget:
 - in the amount of 147,258,330.1 thousand rubles for 2023, including the number of gratuitous receipts in the amount of 32,437,783.9 thousand rubles, of which gratuitous receipts from other budgets of Russian Federation's budgetary system in the amount of 32,434,483.9 thousand rubles, including:
 - 2,400,631.1 thousand rubles of grants,
 - 19,930,740,9 thousand rubles of subsidies,
 - 6,383,474.3 thousand rubles of subventions,
 - 3,719,637.6 thousand rubles of other inter-budgetary transfers with a specific purpose;
 - in the amount of 153,400,370,0 thousand rubles for 2024, including the number of gratuitous receipts in the amount of 31,728,839,9 thousand rubles, of which gratuitous receipts from other budgets of Russian Federation's budgetary system in the amount of 31,725,539,9 thousand rubles, including:
 - 2,368,452.2 thousand rubles of grants,

- 21,441,830.5 thousand rubles of subsidies,
 - 6,633,934.0 thousand rubles of subventions,
 - 1,281,323.2 thousand rubles of other inter-budgetary transfers with a specific purpose;
- (2) total regional budget expenditures in the amount of 153,514,900.2 thousand rubles for 2023, including conditionally approved expenses in the amount of 3,088,261.0 thousand rubles, and in the amount of 158,015,764.7 thousand rubles for 2024, including conditionally approved expenses in the amount of 6,434,220.4 thousand rubles;
- (3) the projected deficit of the regional budget in the amount of 6,256,570.1 thousand rubles for 2023, the projected regional budget deficit in the amount of 4,615,394.7 thousand rubles for 2024.

Conclusion

Based on the above, it can be concluded that the approved and executed budget assignments differ for 2022. There is a surplus in budget execution. The considered characteristics of Voronezh Region's budget allow us to conclude that the formation of expenses is based on available funds, i.e., income is closely related to expenses. The formation of an analysis of the characteristics of budget execution at the end of the financial year is a significant component necessary for the development of a draft budget for the next year and the definition of further areas of activity of public authorities. The report of the Department of Finance of the Voronezh Region allows us to gain a reliable and clear understanding of Voronezh Region's financial situation.



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