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MODERN ASPECTS OF BUDGET PLANNING IN THE LOCAL FINANCE SYSTEM AND WAYS TO IMPROVE IT

Summary

In modern domestic science, in particular, significant attention is paid to the issue of highlighting practical problems of the budget process and budget planning of local finances. However, there is no single definition of the concept of budget planning, its economic content, tasks and principles. The main results of the study were: finding a solution to problematic aspects of budget planning by analyzing the system of local finances and identifying opportunities for improving the budget planning mechanism, revealing the role of local budgets as a link of the budget system with a presentation of the current state of the budget and budget indicators of the united territorial communities of Ukraine; highlighting the features of planning local budgets with a presentation of the problems of forming local budgets and ways to solve them.

Introduction

Currently, when Ukraine is in a state of war and in the conditions of striving for European integration and membership in European institutions, changes, especially in the field of administrative procedures and public finances, are taking place very slowly, as well as the transition to the relevant standards recognized by the mentioned institutions. Along with processes of a general societal nature, the formation of budget policy in the context of democratic consultations is based on public agreement regarding its strategic directions and priorities. The budget is an important instrument of the state, with the help of which the economic and social potential of the country as a whole is formed. Due to its defining role in the economy, the budget process and budget policy connect state institutions with the interests of society and all business entities. The budget as a lever of management enables citizens and local authorities as their representatives to influence economic, social and political processes in the country. From a purely financial mechanism, the budget is gradually turning into a powerful tool for influencing public opinion, the direction of social changes and the unfolding of political events in the country.

Each state has its own budget, some larger, some smaller, but the successful functioning of the budget system of any state as a whole is closely related to the effective organization of the budget process itself. An important part of the budget process is budgeting, which, as you know, includes the preparation, discussion and approval of budget proposals. Budgeting is an important component of the financial planning and forecasting system, which is subject to the requirements of the state budget policy [1, p. 20].

The increase in the revenues of local budgets as a result of financial decentralization led to the appearance of significant amounts of free monetary resources of local self-government bodies. In view of this, the relevance of research and monitoring of the effectiveness of the management of the specified resources, which the municipal authorities tend to direct to term deposit accounts in state banks in order to partially preserve their value, increases. In turn, this leads to an aggravation of the problem of withdrawing financial resources from potentially important socio-economic projects of regional development.

Chapter 1. Local budgets as a link of the budget system

The system of local budgets exists in all countries of the world. However, its development and functions are determined by national, political, economic and other factors. Economic and political factors have the greatest influence. The main legislative acts interpreting such a concept as "local budgets" are the Law of Ukraine "On Local Self-Government in Ukraine" (1997) and the Budget Code of Ukraine (2010) with amendments [3; 2].

A comparative analysis of the definitions is given below in Table 1.

Table 1

Definition of the concept of "local budget" in accordance with current legislation [3; 2]

The Law of Ukraine "On local self-government in Ukraine"	Budget Code of Ukraine
<i>LOCAL BUDGET</i> – plan formation and use of financial resources necessary to ensure the functions and powers of local self-government	<i>LOCAL BUDGETS</i> – budget oblasts, district budgets and local self-government budgets

According to the Budget Code, local self-government budgets are the budgets of territorial communities of villages and their associations, settlements, cities, including the budgets of districts in cities.

Based also on the interpretation of the concept of "budget" provided in the Budget Code of Ukraine, it can be concluded that the local budget is a plan for

the formation and use of financial resources to ensure the functions performed by the authorities and local self-government bodies during the budget period.

Local budgets concentrate financial resources that are mobilized in the relevant territory and are spent on the implementation of the powers of local authorities (local state administrations) and local self-government bodies (local councils of people's deputies) to finance measures for its economic and social development.

In the Budget Code of Ukraine, local self-government budgets are defined as budgets of territorial communities of villages, their associations, settlements, cities (including districts in cities), budgets of united territorial communities created in accordance with the law and a perspective plan for the formation of community territories [2].

In accordance with the Concept of Reforming Local Self-Government and Territorial Organization of Power in Ukraine, adopted by the government on April 1, 2016, the process of power decentralization has begun [4].

Decentralization is the transfer of significant powers and budgets from state bodies to local self-government bodies in such a way that those bodies closest to the people, where such powers can be exercised most successfully, have as much power as possible.

At the beginning of the reform, there were about 12,000 territorial communities in Ukraine, each of which adopted its own budget, while more than 6,000 communities had less than 3,000 inhabitants, of which 4,809 communities had less than 1 thousand people, and in 1129 communities – less than 500 people, in most of them the executive bodies of the corresponding village councils have not been formed, there are no budget institutions, communal enterprises, etc. Local self-government bodies of such communities are practically unable to exercise the powers granted to them by law. In addition, 5,419 local self-government budgets were subsidized, which is more than 70%, and 483 territorial communities were supported by 90% from the state budget [5].

Implementation of permanent financial support through the district budgets of small territorial communities using a system of equalization subsidies burdened the state budget and restrained their development.

The reform has 3 key areas:

1) regional development: it is envisaged to create conditions for the sustainable development of territorial communities and regions; the vast majority of issues should be resolved locally;

2) ensuring the appropriate resource capacity of local self-government by introducing the necessary changes to the Budget and Tax Codes;

3) efficiency and transparency: bodies and institutions capable of providing quality services should operate in formed communities, and the activities of

self-government bodies should be carried out openly and be under the control of community residents.

The Parliament adopted a number of laws:

- Law of Ukraine "On Voluntary Association of Territorial Communities" [6];
- changes to the Budget and Tax Codes, etc.

In addition, a package of laws has been prepared, the adoption of which is possible only after the adoption of amendments to the Constitution of Ukraine:

- Law of Ukraine "On Local Self-Government in Ukraine";
- Draft Law of Ukraine "On Prefects";
- Law of Ukraine "On Administrative and Territorial Organization".

To ensure the implementation of the law "On Voluntary Unification of Territorial Communities", the government approved the Methodology for the Formation of Capable Territorial Communities [7].

During 2015, 793 communities voluntarily united, forming 159 united territorial communities, and by the resolution of the Verkhovna Rada of Ukraine dated July 17, 2020, a total of 1,469 territorial communities were allocated to regions throughout Ukraine [5].

The local budget can consist of general and special funds. The general fund includes revenues determined to provide financial resources for general payments in terms of economic classification codes and not assigned to a specific purpose. The general fund is the source of most budget expenditures.

A special fund is formed from specifically defined sources of income and is used to finance certain goals.

In many developed countries of the world, the "concept of two budgets" is implemented in the budget process at the local level, which provides for the separation of spending on consumption and on development. In particular, in the USA, investment and current expenses are distinguished.

At the same time, development budgets, stabilization and investment funds, and development banks are among the tools used. In Ukraine, the "concept of two budgets" is implemented in accordance with the law "On Local Self-Government in Ukraine" (Article 1, 63), which provides that the local budget is divided into:

- current budget;
- development budget [3].

Current budget – revenues and expenses of the local budget, which are generated and used to cover current expenses. The current budget is used to fulfill both own and delegated powers.

The funds of the current (administrative) budget are directed to:

- for the financing of industrial and social infrastructure institutions and establishments maintained at the expense of budget allocations;
- for financing measures for social protection of the population.

The development budget is the income and expenses of the local budget, which are generated and used for the implementation of programs of social and economic development, strengthening of the material and financial base. The volume of the local budget development budget is one of the indicators for assessing the quality of life in territorial communities.

The main purpose of creating a development budget is to finance programs of social and economic development of the relevant territory, related to extended reproduction. In foreign countries, the expenditures of the development budget, or the investment budget, are directed to capital investments, development of social infrastructure, purchase of equipment and payment of the main part of the debt of local authorities.

Revenues of development budgets abroad are formed at the expense of bank loans, municipal loans and investment subsidies provided by the state authorities. The legislation of most foreign countries prohibits the use of development budget revenues for current budget expenditures.

According to the law "On Local Self-Government in Ukraine" [3], the development budget must be formed at the expense of:

- tax revenues;
- funds raised from placement of local loans;
- investment subsidies.

Funds of the development budget (capital or investment) are directed to the implementation of programs of socio-economic development of the relevant territory, related to the implementation of investment and innovation activities, as well as to the financing of subventions and other expenses related to expanded reproduction, the resources of the development budget are aimed at the development of local social and industrial infrastructure:

- execution of investment programs (projects);
- construction, capital repair and reconstruction of objects of social and cultural sphere and housing and communal economy;
- development of road management.

In 2001, the Budget Code for the first time determined the specific sources of budget formation for the development of local budgets and the directions in which its funds can be spent, since this was not done by the specified law "On Local Self-Government in Ukraine". This code defines that the budget system of Ukraine is a combination of the state budget and local budgets, built taking into account economic relations, state and administrative-territorial systems. The budget system of Ukraine consists of the State Budget of Ukraine and local budgets. As of January 1, 2016, there were 10,838 units of local budgets, 792 of which are in direct relations with the state budget; as of January 1, 2024, there are 1,952 units of local budgets, 1,582 of which are related to the state budget [5].

In 2010, in the new version of the Budget Code, the list of revenue sources of the development budget of local budgets was expanded, but despite this, usually the largest share of local development budget revenues was made up of income from the alienation of property and land and subventions from other budgets. The budget for the development of local budgets in Ukraine is a component of the special fund of local budgets [2].

The local budget can be approved with a deficit or a surplus for both general and special funds by making changes to the decision on the local budget based on the results of the annual report on the implementation of the local budget for the previous budget period.

The local budget can be approved with a surplus from a special fund in case of repayment of local debt and purchase of securities. In the event of a budget deficit due to a lack of budget revenues, expenses included in the current budget are primarily financed.

Each of the budgets is an independent entity and is not directly subordinated to the higher budget.

The independence of budgets is possible only in the presence of own sources of income and is ensured by the right to determine the direction of their use by the relevant state authority.

It should be remembered that the state with the funds of the state budget is not responsible for the budget obligations of local self-government bodies, and local self-government bodies, in turn, with the funds of the corresponding local budgets, are not responsible for the budget obligations of each other, as well as for budget obligations of the state.

At the same time, the basis of the development of the budget system is the principle of unity. It indicates the existence of a single income and expenditure account of each element of the budget system. The unity of the budget system is ensured by a single legal base, a single budget classification, a single regulation of budget relations, a single monetary system, and a single order of budget execution and accounting and reporting. Full budgetary independence and financial independence of local budgets is ensured by the state at the legislative level.

The Ministry of Finance prepares a draft budget, regional and city financial departments prepare corresponding drafts of regional and city budgets on the basis of:

- forecast indicators of economic and social development of administrative-territorial units;
- proven indicators from higher executive bodies: standards for deductions from national taxes and fees, amounts of subsidies and subventions;

– materials for preparation of the draft budget, provided by departments and departments of the Ministry of Finance, state administration, executive bodies of city and district Councils of People’s Deputies.

The draft budget of the Ministry of Finance is submitted to the Council of Ministers by regional and city financial administrations – state administrations. In case of agreement, the Council of Ministers shall forward it to the Verkhovna Rada, regional and city state administrations to the relevant Councils of People’s Deputies by December 10.

First, drafts of relevant local budgets at the centralized level are considered by standing commissions that prepare conclusions and comments on the indicators of budget revenues and expenditures. The Minister of Finance and the chairman of the current budget commission will make a report on the project at the Verkhovna Rada meeting; regional and city – at the session of the Council of People’s Deputies, the head of the financial department and the head of the budget commission.

All deputies participate in the discussion process. The regional and city budget draft is approved at the session of the Council of People’s Deputies only after the approval of the State Budget draft. If the local budget is not adopted by December 30, then the indicators of the budget submitted for approval will come into force.

As for the budget planning procedure of local budgets of the basic level, namely: district, city, district in cities, it is similar to the budget planning procedure of local budgets of the centralized level, with the exception of the deadline for submitting the draft budget for review and approval by the Councils of People’s Deputies. The deadline for local basic level budgets is December 25.

In general, budget planning is a peculiar tool of the financial management system aimed at increasing the efficiency, effectiveness and transparency of the state and local sectors, which is carried out by setting budget goals not only for the planned year, but also for the future. However, the volume of local budget revenues from the activities of local authorities is not determined at the local level.

Based on the experience of the developed countries of the world, it is worth noting that in most of them, in the process of budget planning, drafting the budget is practiced not only for the coming year, but also for the medium-term perspective. Such countries include Australia, Austria, Canada, Denmark, Finland, Germany, the Netherlands, Sweden, Great Britain, the USA, and Hungary. In not all countries, the medium-term budget plan becomes a law, but it is a mandatory element of the law, which is taken as a basis and is subject to annual correction and clarification.

It should be noted that multi-year planning is only a budget management tool, and not an allocation of budget funds for several years. It should be

considered as a forecast of budget revenues and expenses for future years, which is updated periodically. This makes it possible to bring the annual budget in line with the adopted fiscal goal for several years.

As you know, the general foundations of budget planning are determined by the Constitution of Ukraine, as well as by special budget legislation – the Budget Code of Ukraine. They establish the powers of the state authorities and administrations related to the development and approval of the budget, the distribution of functions between the central and local authorities and administrations, and the determination of the income and expenses of each of them.

The use of the program-target method in the formation and budget planning at the local level is especially effective in the social sphere, the development of social infrastructure.

When planning expenditures and revenues of local budgets, in addition to the most widespread, namely, the program-target method, other methods can also be used in modern economic science:

1. The "Grass Roots" method. In this case, the forecast is made by the method of collecting input data directly from rank-and-file employees who are at the lowest level of the hierarchical structure, that is, from those who are related to the object of forecasting.

2. Method "Research of the object". It consists in the collection of data by various methods (surveys, interviews, etc.) to test the hypothesis about the amount of revenues for the planned financing from local budgets. This method is used for long-term forecasting of the amount of financing of tasks from the local budget (more than 5 years).

3. "Group agreement" method. The forecast is based on a direct and open exchange of views at the general meeting. The main idea of this method is that a group discussion of possible options for predictive indicators leads to the selection of the optimal one from many proposed and calculated using various methods and techniques.

4. The "Historical analogy" method. Related to the analysis of the life cycle of such a tax, which ensures the financing of relevant expenses from local budgets. As a rule, it is used when introducing a new type of tax.

5. The Delphi method. It consists in the fact that a group of experts answers questions about the forms and limits of funding for certain types of expenditures from the local budget. The group leader compiles the results of the group's research and formulates a new question, which is a new task for this group of experts. In this way, the influence of personal factors on the limits of financing a certain type of expenditure from the local budget is leveled.

6. Analysis of time series. It is based on the idea that the previous history of financing the expenditure of local budgets can be used for forecasting.

When forecasting tax revenues, this method can be used only with unchanged rates and tax base.

7. Regression analysis of time trends. Establishes a direct relationship between tax revenues and time. This is the most accurate statistical method of analysis and forecasting.

8. Box Jenkins method. Associates a class of statistical models with the data and fits such a new model to the time series using a Bayesian posterior distribution.

9. Causal methods. They are based on the identification of the main and indirect factors that affect the object of forecasting.

10. Econometric models. They describe a certain type of financing of a certain sector of the economy from the local budget using a system of independent equations.

11. Macroeconomic models. They make it possible to determine the influence of both internal and external factors on the financing of certain types of powers by local budgets.

The priority task of the executive power bodies and local self-government bodies in terms of socio-economic development, taking into account the volumes of local budgets, should be: strengthening the economic basis for the independent social development of the regions through the delimitation of competence and responsibility of the executive power bodies; improvement of the legal foundations and practice of interaction on economic and social issues of local executive power and self-government bodies with business entities; strengthening the financial independence of regions; smoothing existing interregional differences in the levels of socio-economic development using centralized financial support; implementation of state support for stimulating the development of areas with the potential to become "points" of economic growth.

With regard to the concept of implementing the program-target method in the budget process of Ukraine, including in the social sphere, it is worth forecasting with the aim of: increasing the responsibility of the main managers of funds for the effective and rational use of resources; strengthening and strengthening of budget control; improving the distribution of resources between sub-sectors; increasing the level of obligations regarding the construction of forecast directions of budget policy, etc., taking into account the fact that at the local level, the program-target method allows determining income from activities in the form of substantiation of the volumes of voluntary payments to the local budget or forced collection.

In order to improve the financial support of the income and expenditure part of local budgets and to improve inter-budget relations, it is necessary to: ensure the stability and predictability of revenues to local budgets; determination of expenditures financed from the local and state budgets, taking into account

national and local problems; optimization of the system of local taxes and fees by types, rates and tax base; economically justified and timely provision of grants, subsidies and subventions to certain regions.

Therefore, the use of methods of budget planning of revenues from the activities of local authorities, especially program-target in general and in the social sphere in particular, leads to:

- ensuring the balance of financial resources of local self-government bodies;
- determination of real sources of local budget revenues based on the fiscal goals of local authorities for further optimization of budget revenues;
- implementation of effective control on the part of local authorities, which consists in timely fulfillment of obligations by subjects of economic activity;
- establishment of medium-term fiscal and budgetary goals in order to achieve the effectiveness of regulatory and control activities of local authorities;
- preserving and improving regional management at the local level, bringing it to a qualitatively new level.

Ensuring a sufficient and stable financial base of local authorities both at the expense of local budgets and effective reforming of the system of inter-budgetary relations will contribute to the economic development of regions and the growth of the population's standard of living in individual administrative-territorial units and will be a solid basis for national progress.

Chapter 2. Peculiarities of planning local budgets

The main directions of work on the formation of state budget indicators in terms of local budgets and inter-budgetary relations are as follows:

- preparation and presentation to local authorities of the specifics of drafting local budgets for the next budget year and the distribution between local budgets of interbudgetary transfers to be provided from the state budget;
- implementation of horizontal equalization of the tax capacity of local budgets and determination of basic/reverse subsidy volumes for local budgets that have mutual relations with the state budget;
- holding meetings with representatives of regional and Kyiv city state administrations to discuss issues specific to the formation of local budget projects for the next budget year;
- conducting consultations with all-Ukrainian associations of local self-government bodies regarding the draft law on the budget for the next budget year.

For example, as stated in the letter of the Ministry of Finance, the main documents that formed the basis of the budget indicators for 2022 were:

- the draft of the main directions of the budget policy, which covered the medium-term period – 2020–2022, approved by the Government (approved by the resolution of the Cabinet of Ministers of Ukraine dated 31.05.2021 No. 548 "On the approval of the Budget Declaration for 2022–2024");

- the main macro indicators of the economic and social development of Ukraine for 2022–2024 (approved by the Resolution of the CMU of May 31, 2021 No. 586);

- Strategy for reforming the state finance management system for 2022–2025 (Decree of the Cabinet of Ministers of Ukraine dated December 29, 2021 No. 1805).

It should be noted that the forecast indicator of the nominal gross domestic product indicated in these documents was more conservative than according to the information of the Ministry of Economic Development and Trade of Ukraine, whose forecast macroeconomic guidelines are close to the forecast of the International Monetary Fund.

Peculiarities of formation of indicators of local budgets and interbudgetary transfers. Regarding the formation of the revenue part of local budgets.

To date, there have been no significant changes in the legislation regarding the sources of the revenue part of local budgets at that time, except that from January 1, 2021, the following were included in local budgets:

- 5% of the rent for the use of subsoil for the extraction of oil, natural gas and gas condensate (except for the rent for the use of subsoil within the continental shelf and/or the exclusive (maritime) economic zone of Ukraine), of which 2% goes to regional budgets and 3% – to the budgets of cities of regional importance, united territorial communities and districts (2% – to the district budget, 1% – to the budgets of villages, settlements and cities within the district);

- 100% of the single tax paid by single tax payers of the fourth group (agricultural producers);

- during this period, the norm regarding the crediting of 13.44% excise tax on fuel to local budgets was maintained [9].

Regarding the formation of the expenditure part of local budgets. When calculating expenditure indicators and granting loans, it is necessary to take into account:

- the main forecast macro-indicators of the economic and social;

- increasing the size of state social standards.

The increase in the minimum wage should be taken into account not only when determining the amount of expenses for the wages of employees of budget institutions, but also when calculating the amount of one-time targeted cash assistance for graduates of higher educational institutions who received education in the directions and specialties of the pedagogical profile and signed a term of at least a three-year employment contract in general education and

vocational and technical educational institutions (defined by the education management bodies in accordance with the resolution of the Cabinet of Ministers of Ukraine dated 26.09.2006 No. 1361) and graduates of higher educational institutions who received their education in the areas and specialties of the medical and pharmaceutical profile and concluded for a period of at least three years, a contract on work in health care institutions located in rural areas and urban-type settlements, as well as on work in other health care institutions as general practitioners (family doctors), district doctors – pediatricians and medical therapists in accordance with the resolution of the Cabinet of Ministers of Ukraine dated 11.05.2011 No. 524 "Issues of remuneration of employees of institutions, establishments and organizations of certain branches of the budget sphere".

The increase in the subsistence minimum, which took place from July 1 and December 1 of the respective years. In 2020–2021, the subsistence minimum and the level of its provision increased at a rate that exceeded the forecast index of consumer prices for 2020–2021 by 2 percentage points. The dimensions of the subsistence minimum are taken into account when determining the amount of expenditures for the provision of social benefits provided for by legislation. In particular, the amount of one-time cash assistance to orphans and children deprived of parental care, who were under guardianship (care) or on full state support, upon their employment after graduating from an educational institution, is six subsistence minimums. – coefficients when calculating the need for funds to pay for communal services and energy carriers (economic classification code of expenses 2270). In 2020–2021, it was proposed to apply an average factor of 1.1 to the amount of funds provided for in the budget, namely.

Table 2

The proposed coefficient when calculating the need for funds to pay for communal services and energy carriers [8]

economic classification code of expenses	code name	2020	2021	2022
2271*	Payment of heat supply	1,09	1,072	1,06
2272	Payment of water supply and drainage	1,09	1,072	1,06
2273	Payment of electricity	1,1	1,07	1,055
2274	Payment of natural gas	1,09	1,072	1,06
2275	Payment of other energy carriers	1,09	1,072	1,06

At the same time, the coefficient for payment for heat supply was determined by calculation, based on the natural gas price growth index (provided the gas component is at the level of 70%) and the producer price index.

In addition, it was necessary to take into account the expenses for the payment of annual assistance for the purchase of educational literature to persons from the number of orphans and children deprived of parental care, pupils and students who, during the period of study at the age of 18 to 23, remained without parents until the completion of their studies. Its size in 2020–2022 was supposed to be 3 social scholarships.

When drafting local budgets, it is necessary to take into account the norm of Article 77 of the Budget Code of Ukraine, regarding the provision of funds for the payment of employees of budget institutions in accordance with the terms of payment and the amount of the minimum wage and for calculations for electricity and heat energy, water supply, as a priority drainage, natural gas and communication services consumed by budget institutions.

The specified features of local budget calculations are provided to local authorities by letter from the Ministry of Finance of Ukraine annually.

In addition, there are annual meetings of representatives of local state administrations and representatives of specialized state institutions, which include directors of the Departments of Finance, representatives of the Secretariat of the Cabinet of Ministers of Ukraine, the Committee of the Verkhovna Rada of Ukraine on Budget Issues, branch ministries (Ministry of Education and Science of Ukraine, Ministry of Health of Ukraine, Ministry of Social Policy of Ukraine), all-Ukrainian associations of local self-government bodies.

Such consultations, in accordance with the Law of Ukraine "On Associations of Local Self-Governing Bodies" dated 04/16/2009 No. 1275, are held no later than seven days before the submission of the draft law on the State Budget of Ukraine for the relevant year to the Cabinet of Ministers of Ukraine.

The results of consultations with all-Ukrainian associations are formalized in a protocol, which is attached to the draft law on the State Budget of Ukraine, submitted by the Cabinet of Ministers of Ukraine to the Verkhovna Rada of Ukraine. Interbudgetary regulation plays an important role in the formation of budget policy and the organization of the budget process. Its purpose is to redistribute financial resources between budgets to ensure compliance with the authority to carry out expenditures established by legislative acts under the relevant budgets and the financial resources that should ensure their implementation. One of the forms of implementation of the principles of interbudgetary regulation is interbudgetary transfers.

Inter-budget transfers are funds that are transferred free of charge and irrevocably from one budget to another. The list of interbudgetary transfers that can be provided for in the state budget for local budgets is defined by Art. 97 of the Budget Code of Ukraine.

The amounts of interbudgetary transfers are annually approved by the law on the state budget and are provided to local budgets that have mutual relations

with the state budget – regional budgets, budgets of cities of regional significance, budgets of united territorial communities created in accordance with the law and the perspective plan for the formation of community territories, district budgets . In 2024, 1,582 budgets had relations with the state budget, including 24 regional budgets, 1 budget of a city of regional importance, the budget of the city of Kyiv, 119 district budgets, 1,438 budgets of united territorial communities [5].

It should be noted that the number of budgets that have mutual relations with the state budget increases annually in connection with the formation of united territorial communities in accordance with the Law of Ukraine "On Voluntary Unification of Territorial Communities". Yes, their number as of 01.01.2024 is 1,952.

As in previous years, basic transfers were provided to local budgets in 2020–2021, and they, like reverse transfers, are the result of horizontal equalization of the tax capacity of local budgets, which have mutual relations with the state budget.

When carrying out the horizontal equalization of the tax capacity of local budgets and determining the base/reverse subsidy for 2020–2021, the following indicators were taken into account – official reporting data of the State Statistics Service of Ukraine on the existing population as of 01.01.2019 and the State Treasury Service of Ukraine – on actual personal income tax receipts persons and income tax of enterprises of the private sector of the economy (in the part that is included in the regional budgets) for 2019.

In the calculation for the year 2022, additional subsidies were included to finance expenses transferred from the state budget for the maintenance of educational and health care institutions. Such an additional subsidy has been provided since 2019, in connection with the transfer to financing from local budgets of all expenses (except for the wages of teaching staff) for general educational institutions and expenses for the payment of communal services and energy sources for health care institutions; compensation for the loss of income of local budgets as a result of the tax benefits provided by the state for the payment of land tax.

From 2021, in accordance with the Tax Code of Ukraine, in addition to subjects of space activity, aircraft construction subjects subject to the provisions of Article 2 of the Law of Ukraine "On the Development of the Aircraft Industry" and carrying out development and /or manufacturing with final assembly of aircraft and their engines, except for land plots on which social, commercial, agricultural and non-industrial construction facilities are located [9].

The list of subjects of space activity and aircraft construction, in respect of which temporary measures of state support have been introduced, is approved by the Cabinet of Ministers of Ukraine. The amount of additional subsidy in

terms of local budgets is determined on the basis of information on the amounts of land tax exemptions, provided respectively by the State Space Agency of Ukraine and the Ministry of Economic Development and Trade of Ukraine, which are responsible for monitoring the compliance of such subjects with the requirements of the law.

In order to ensure the maintenance of the social infrastructure of the city of Slavutych, the following additional subsidy was planned for the implementation of Clause 4 of Article 13 of the Law of Ukraine "On General Principles of Further Operation and Decommissioning of the Chernobyl Nuclear Power Plant and Conversion of the Destroyed Fourth Power Unit of this Plant to an Environmentally Safe System."

Subsidies:

- educational subvention, its distribution between local budgets will be carried out on the basis of a new formula that will take into account the standard class size, which will make it possible to introduce an incentive mechanism during the optimization of the network of general education institutions;

- medical subvention, its distribution between local budgets will be carried out in accordance with the Formula for the distribution of the amount of medical subvention from the state budget to local budgets, approved by the Cabinet of Ministers of Ukraine Resolution No. 618 of 08/19/2015.

At the same time, this Formula may be changed in the event that the Verkhovna Rada of Ukraine adopts draft laws on the implementation of the health care system financing reform. It should be noted that the Government made changes (Decision No. 574 dated 09.08.2019) to the Procedure and conditions for providing medical subvention, which regulated the issue of dividing medical subvention for the provision of primary and secondary medical care for cities of regional significance, districts and united territorial communities. In particular, the volume of subvention directed to primary medical care should be no more than 40 percent of the total volume of subvention for districts and united territorial communities that voluntarily united on the basis of districts, and no more than 30 percent of the total volume of subvention for cities of the oblast significance and united territorial communities, which voluntarily united on the basis of cities of regional significance. Funds in the amount of at least 60 and 70 percent, respectively, will be directed to secondary medical care:

- for implementation of state programs of social protection;
- for the implementation of measures regarding radiation and social protection of the population of Zhovti Vody. Such a subvention is provided in accordance with the State targeted program of radiation and social protection of the population of the city of Zhovti Vody for 2015–2022, approved by the Resolution of the Cabinet of Ministers of Ukraine dated 25.06.2012 No. 579;

- for the purchase of consumables for health care facilities and drugs for inhalation anesthesia;
- for the purchase of medicines and medical products to provide emergency medical care;
- for reimbursement of the cost of medicines for the treatment of certain diseases;
- to provide state support to persons with special educational needs; – for the payment of monetary compensation for suitable living quarters for the families of deceased persons, defined in paragraphs 5–8 of paragraph 1 of Article 10, as well as for persons with disabilities of the I–II groups, defined in paragraphs 11–14 of the second part of Article 7 of the Law of Ukraine "On the status of war veterans, guarantees of their social protection", and persons who have lost the functional capabilities of their lower limbs, whose disability occurred as a result of injury, contusion, mutilation or disease received during direct participation in an anti-terrorist operation, and who need improvement of living conditions;
- on the formation of the infrastructure of united territorial communities. Such a subvention is provided for the implementation of the Law of Ukraine "On Voluntary Unification of Territorial Communities";
- for holding elections of deputies of local councils and heads of villages, towns, and cities.

The amounts of interbudgetary transfers were taken into account in the marginal indicators of expenditures, which were brought to the main managers of the general fund of the state budget and their competence includes the issue of distribution of transfers between local budgets; the volumes of interbudgetary transfers were determined in terms of local budgets that have mutual relations with the state budget, which, together with the method of their distribution, were sent to local authorities.

Also, during 2020–2021, the state continued to provide support for financing investment programs and regional development projects at the expense of the State Regional Development Fund. For this purpose, appropriate funds were taken into account in the marginal expenditures of the Ministry of Regional Development, Construction and Housing and Communal Services.

Therefore, the priority of the state budget policy for the medium-term perspective in terms of regulating inter-budgetary relations is to ensure the independence of local budgets, strengthen their financial capacity, increase the transparency and efficiency of managing budget funds at the local level.

In order to increase the predictability and consistency of budget policy, including at the local level, the main directions of budget policy for 2022–2025 envisage the introduction of medium-term budget planning. The transition to the planning of local budgets for the medium-term period will be carried out after the introduction of appropriate changes to the budget legislation, as well

as the approval and submission to local authorities of methodological recommendations on the preparation of local budgets for the medium-term perspective, coordinated with the methodology of medium-term planning of the state budget.

Chapter 3. Experience of budget planning and its implementation in Ukraine

The planning of local budgets is based on a number of principles that reflect the requirements for the process of forming financial plans regarding the management of budget funds, taking into account the conditions of development of the administrative-territorial unit.

However, in our opinion, when planning local budgets, it is also necessary to take into account the principle of responsibility, according to which each participant in the planning process is responsible for his actions or inaction at each stage of planning. This will make it possible to reduce the volume of unjustified expenses and increase the efficiency of the use of budget funds.

Our research on budget planning makes it possible to state that the strict observance of each of them in the conditions of local self-government reform will provide a basis for improving the planning of the expenditure part of local budgets.

It is worth noting that the development of Ukraine, the improvement of budget planning, the improvement of the quality of management of budget resources, the presence of integration processes into the European community require the adaptation of the budget formation and implementation system to the mechanism of this procedure in the European Union, the legislation of which provides for the preparation of budgets according to the program-target method as members and candidates for membership in this structure.

Currently, for Ukraine, program-targeted planning of socio-economic development has not only not lost its relevance, but also requires further improvement and development of flexible and balanced approaches in view of the growing complexity of regulating these processes in conditions of decentralization of management in all spheres of public life.

An important element of improving budget planning, in our opinion, is the availability of information. Usually, information on the planning of expenditures of local budgets is either absent at all, or is provided on the official websites of the main managers of funds in an incomplete and incomprehensible format for external users.

We consider it necessary at the legislative level to approve the requirements for the interface, components, content, and content of electronic resources of local authorities regarding planning, financing of local budget expenditures, and evaluation of the effectiveness of these processes in a form that is accessible to the average resident of the community, district, or region.

Another area of improving local budget planning is public participation in the budget process, holding public hearings on determining the main development priorities of administrative-territorial units and evaluating the effectiveness of the process of forecasting the use of budget funds for previous periods by the population.

The use of public hearings not as a formal meeting for the exchange of information, but as a means of influencing the decisions of the authorities will contribute to the improvement of the efficiency of planning the expenditures of local budgets and will act as an element of real democracy.

It is worth noting that despite more than ten years of practice of implementing the program-target method in the budget process, at this stage there is no sufficient regulatory and legal basis for planning directions for the use of relevant local financial resources. The Concept of Reforming Local Self-Government and Territorial Organization of Power in Ukraine was no exception, since, regardless of the breadth of the specified reforms, in our opinion, this document lacks a clearly prescribed methodology for their implementation [4].

Therefore, we consider it necessary to improve the legal basis for the application of the program-target method as one of the ways of increasing the efficiency of planning the expenditures of local budgets. In addition, special attention should be paid to the control and monitoring of the activities of local self-government bodies, because it should be carried out both by the relevant authorities and the public at each stage of budget planning.

The foreign theory and practice of implementing the program-target method testifies to the importance of control in the system of planning expenditures of local budgets as a means of assessing the effectiveness of predicting the directions of activities of the participants of the budget process in individual administrative and territorial units based on the analysis of the use of financial assets in the past. In addition, monitoring is also an effective tool, since when using it, there is an opportunity to detect deviations from planned indicators as soon as possible, as well as to prevent the financing of inefficient budget programs.

Implementation of strategic and medium-term planning is an urgent issue for Ukraine. The real state of affairs shows its practical absence, which makes it impossible to fully apply the program-target method due to difficulties in establishing the relationship between resources and goals, most of which require several years to achieve.

We note that budget planning for a period covering several years stimulates local authorities, and in modern conditions also territorial communities, to determine the list of priority problems that exist in the economy of administrative and territorial units, to calculate the cost of their solution and the time, during which this problem can be overcome. There is also a need to

identify tasks that require immediate solutions and can be solved in a short period of time for relatively little money.

In the conditions of the availability of a limited amount of budget resources, the introduction of budget restrictions through the establishment of the maximum amount of expenditures for all the main managers of budget funds will be a prerequisite for effective medium-term planning.

In modern conditions, when the process of decentralization and budget policy reform is taking place, special importance is attached to the issue of budget planning as an effective tool for the implementation of the country's socio-economic development program. It should be noted that most developed countries use medium-term planning during budget planning. Such countries include Austria, Great Britain, Denmark, Canada, Germany, Finland, Sweden, Hungary, the United States of America, France, etc. The medium-term budget is not always a law in these countries, but it is a mandatory element of the law. Thanks to it, annual adjustments and clarifications of budget indicators take place.

According to world experience, medium-term budget planning is based on five elements:

- availability of an agreed state program (strategy) for the country's socio-economic development;
- formation of institutions and procedures that ensure high-quality medium-term macroeconomic and budget forecasting;
- availability of procedures for the development of "fiscal rules", in particular in terms of limiting the medium-term parameters of the state debt, the amount of funds for its maintenance, budget deficit/surplus;
- availability of procedures and mechanisms for the formation of "budget limits" for the main managers of funds, monitoring and ensuring their implementation;
- availability of mechanisms for combining "annual" and "medium-term" elements in budget planning (medium-term budget programs, investment programs, etc.) [10].

All elements are interconnected, which makes it possible to more effectively manage budget funds, achieve set goals and obtain high performance and efficiency indicators.

International practice indicates a number of methods of macro-financial budgeting, among which the following should be mentioned:

- the "Planning – Programming – Budgeting System" system ("Planning – Programming – Budgeting System"); it is a first-generation system aimed at developing social programs, social tasks and goals;
- budgeting from scratch or zero-based budgeting ("Zero-Based Budgeting"); this method involves starting each budgeting with a zero calculation of the efficiency and effectiveness of the use of funds;

- method of program budgeting ("Program Budgeting"); it makes it possible to calculate the final measurement of expenses for the final result;
- results-oriented budgeting ("Results-oriented Budgeting"); the basis of this method is the result and its management;
- program-target method, etc. [11, p. 407].

Programmatic budgeting deserves special attention. Most countries have identified this method as the most progressive in budget planning. Its feature is a high level of effectiveness. It involves the planning of specific programs with a specific social result for both the current and medium-term periods. The beginning of its application took place in the 60s of the last century in the USA and has been used for more than 50 years both at the state and local levels. At the initial stages of its implementation in the American economy, a number of problems arose that required their immediate solution, among which the following should be mentioned: methodological improvement of the evaluation of the results of the implementation of the developed and proposed programs; introduction of new forms and methods in making management decisions based on the received assessments.

Thus, the US government has developed a methodology for integrating the obtained estimates into budget management; improved the issue of allocation of budget resources according to state priorities; improved the development of budget policy; carried out an organizational and management reform, which is based on the determination of the number of employees, the organizational structure of federal authorities, the interrelationship of the actions of ministries, etc.

So, there was a process of evaluating the direct and final results of the implementation of the state policy, which affected the economic growth of the state, raising the standard of living of the population.

In our opinion, the Ukrainian government needs to base its budget policy on the budget-target method of medium-term planning with a methodological approach to assessing the effectiveness of its implementation. In addition, it is necessary to improve the budget legislation and introduce changes in the organizational structure of the management of budget funds.

It should be noted that there is no concept of consolidated budget in the USA. The peculiarity of the budget system is that state budgets are not included in the federal budget, and local budgets are not included in state budgets. The U.S. Constitution assigns the president the responsibility of coordinating work on drafting the federal budget and submitting it to Congress.

As for state budgets, they have their own characteristics and great powers, namely they have their own constitutions, laws, authorities, courts, terms of budget approval and action. The difference between state budgets and the federal budget is that their mandatory component is the capital budget (development budget), the federal budget does not provide for this.

American budget planning has its own peculiarities. Thus, the program budget is not approved by the law on the budget, and the program expenses of the federal budget are reflected in the budget documents included in the package of budget documents, which is sent annually by the President of the United States to Congress. The program budget is planned for a ten-year period, in which the strategic, long-term and short-term goals and objectives of the country's development are presented. We believe that such an organization of budget planning makes it possible to assess the direct and final results of the activities of the authorities.

In our opinion, Ukraine needs to more clearly define the concept of "direct results", the essence of which is the volume of public service provision, and "end results", i.e. define certain macroeconomic and social consequences.

The implementation of the program-target method of budgeting in Great Britain began in 1988, when the government adopted the Budget Services Agreement (PSA) and the Service Quality Agreement (SDA). The application of the program-target method in the budget process of the country is based on the following principles:

- determination of the goals of budget policies, taking into account the main priorities of state policy;
- development of a budget strategy and determination of the amount of expenditures for the provision of state functions and expenditures;
- determination of goals and tasks for each ministry, as well as target indicators of the volume, quality and efficiency of the provision of budget services [11, p. 408].

It should be noted that the implementation of the program-target method contributed to the provision of state priorities during the development of budget policy, influenced budget discipline, and effective use of budget funds. This result was achieved thanks to the reform of the public administration system with the support of the government.

Budget planning in Japan deserves special attention. It is a component of the economic and social planning system and has a long-term term. Long-term planning was started in 1950 and is still in effect. The priority direction is economic planning, which is based on a medium-term and long-term program of economic growth.

A specific feature of Japan's budget planning is that targeted programs are a lever for the development of new science-intensive industries, among which the following should be mentioned: electronics, information technologies, and robotics. Therefore, the state influences the scientific and technical processes in the country, the investment and innovation structure of the economy, and the future development of the national economy.

Thus, through programmatic planning in Japan, the process of reorientation of the private sector of entrepreneurial activity towards the strategic

development of important technologies is taking place; indirect regulation of the economy by the state is ensured; assessment of state intervention in both the economy and other spheres is carried out, its level, nature and necessity are determined.

We believe that such a positive planning approach affects the country's economic growth, scientific and technological progress, investment and innovation activities in the future. In New Zealand, the program-target method has been used since 1989, and since 1994, medium-term budgeting has been introduced, which is aimed not at final results, but at immediate ones. This process reflects the activities of public authorities, their financial responsibility and the efficiency of using public finances.

Today, New Zealand is developing a program statement on budget policy, a report on fiscal policy, and long-term financial and economic forecasts.

And in Canada, in 2000, the concept of public expenditure management was introduced.

The result for Canadians was the concept of government management in Canada. It became the impetus for the use of the program-target method in budget planning. In Canada, budget planning is carried out for five years. Canadian ministries develop strategic and operational plans that reflect:

- in strategic plans: goals, tasks of ministries, its strategic actions, measures for their implementation, program evaluations are determined;
- in operational plans: forms and methods of achieving the ministry's goals, methods of performing tasks, determination of financial volumes both in terms of income and expenses for each program for the year, its effectiveness is determined and the program is evaluated.

In Canada, program expenditures, that is, budget expenditures, are relevant today. They are divided into current, capital expenditures of departments, grants and transfers to individuals, organizations, authorities, and loans.

Canada's program budget has three levels:

- the first level – state;
- second level – departments;
- the third level – program expenses.

Such budget planning approaches, in our opinion, enable the government to manage public finances more effectively both in the future period and in the current year; to reasonably conduct national policy, in particular budgetary, in the direction of sustainable economic development of the country and growth of the population's well-being.

Thus, the application of the program-target method by developed countries for the medium-term period contributes to their economic development, the implementation of social programs, improves the activity of authorities, and promotes their responsibility.

That is why it should be said, taking into account all the reforms taking place in Ukraine, based on world experience, that the state needs radical changes in budget planning. It should take place on the basis of a program-target method and for a medium-term period. In our opinion, this will ensure consistency in making budget decisions; there will be a relationship between the strategic goals of the state policy and the proposed target budget programs with the determination of the amount of financial resources and their targeted use; improving control and responsibility for their use; formation of conditions for conducting a consistent and justified financial and budgetary policy.

Market relations require constant improvement of all operating systems in the economy. To a large extent, this also applies to the process of planning the use of budget funds, because the optimal satisfaction of society's needs depends on a high-quality prediction of the need for resources. This task is especially intensified when planning local budgets, since the progress of the entire state depends on the trajectory of economic and social development of administrative-territorial units. In order to study directions for improving budget planning, the need to apply program-target planning and individual measures to increase the efficiency of planning and the use of budget funds in modern conditions was substantiated.

The combination of reforming local self-government and the budget planning mechanism is a complex and long-term task, both from the point of view of theoretical and methodological support, and in implementation. However, this will make it possible to correctly calculate the cost of budget services, choose the most rational way of providing them and, ultimately, improve both budget planning and local self-government in Ukraine.

Conclusions

Local budget planning is based on a number of principles that reflect the requirements for the process of forming a financial plan for managing budget funds, taking into account the development situation of the administrative division.

However, in our opinion, the so-called "responsibility principle" should also be taken into account when planning the local budget, according to which each participant in the planning process is responsible for their actions or inactions at each stage of the planning process. This will make it possible to reduce unjustified expenses and significantly increase the efficiency of the use of budget funds.

In order to improve budget planning, improve the quality of local budget control and implement the process of integration into the European Community, it is necessary to adapt the system of drawing up and executing local budgets to the mechanisms of this procedure in the EU.

For Ukraine today, program-targeted planning of socio-economic development has not only lost its relevance, but also requires further improvement and development of flexible and balanced approaches in view of the increasing complexity of coordinating these processes in conditions of decentralization of management.

Therefore, we believe that the essence of the changes necessary in the context of the ongoing reforms is the combination of decentralization of power and budget decentralization, a clear definition of the principles of these processes, and the use of program-targeted planning of local budget expenditures.

In our opinion, the key element for improving budget planning is the availability of information. As a rule, information on spending plans of local budgets is either not available at all, or is published on the official websites of the main fund managers in a format that is incomplete and difficult for external users to understand. We believe that the requirements for the interface, components, content and content of electronic resources of local self-government bodies for planning and financing the expenditures of local budgets and evaluating the effectiveness of these processes should be approved at the legislative level in a form accessible to the average resident of the community, district or region.

Another area of improvement of local budgets is public participation in the budget process through the organization of public hearings to determine the key development priorities of administrative and territorial units and to assess the effectiveness of the process of forecasting the use of budget funds in previous years.

The use of public hearings as a means of influencing the decisions of the authorities, rather than formal meetings for the exchange of information, contributes to the improvement of the effectiveness of the expenditure plans of local budgets and is an element of true democracy.

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