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MUNICIPALITIES|

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Abstract

|Reforms of local governments required new methods for generating and using financial resources of local budgets and ensuring financial security and sustainability. Financial and economic independence and fiscal security of municipalities are required for financial centralization. Currently, local governments do not have financial independence due to the increasing level of dependence of municipalities on financial assistance from regional and federal budgets. To ensure the effective socio-economic development of municipalities, improve the quality of services provided to the population, local bodies must have a sufficient amount of own financial resources. Therefore, there is a need to assess the financial and budgetary security and sustainability of municipalities. Thus, the relevance of the study is due to the need for a comprehensive scientific analysis of financial security of municipalities, identification of factors that contribute to the loss of financial security in order to select and justify measures that counteract this trend. The most important component of the financial security of local budgets is the fiscal system that affects the financial stability of budgets and the ability of local bodies to perform their functions. The paper analyzes internal and external threats to the financial and budgetary security of the Lebyazhievsky district, Kurgan region. A quantitative assessment of the budgetary and tax security is carried out taking into account six indicators and their comparison with the threshold values. Measures to improve the level of financial and budgetary security of the district are proposed and economically substantiated. |

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1. Introduction

Currently, local governments depend on the financial assistance from the federal and regional budgets (Nikulina & Sinenko, 2013). The degree of socio-economic development of local budgets, the quantity and quality of services provided to the population and companies depend on the available financial resources (Zimniakova, 2015). It is necessary to study the problem of financial and budgetary security of municipalities (Perko & Grudinova, 2011). The relevance of the research topic is due to the importance of financial and budgetary security of municipalities, factors affecting an increase in its level, and measures that can prevent negative trends (Kuklin & Agarkov, 2007).

2. Problem Statement

Fiscal security is one of the most important components of the economic and financial security of a country, region or municipality, which makes it possible to ensure their uninterrupted functioning (Tarasova & Roznina, 2020). Fiscal security consists of two interrelated parts (tax security and budget security). Fiscal security implies a fiscal policy aimed at ensuring the sustainable economic growth, the accumulation of all budget revenues, financial support for commodity producers, and the implementation of a social policy that improves the living standards. Tax security implies the existence of a tax system that helps to stimulate producers to improve their competitiveness and competitiveness of their products and keeping the tax burden at an acceptable level.

3. Research Questions

Fiscal security is a state of security of the budget system, centralized and decentralized funds of the federal and local authorities, capable of effectively responding to external and internal negative threats in any conditions of economic development, ensuring the socio-economic development, protection of economic interests of the individual, society and the country (Roznina et al., 2020). The level of fiscal security of municipalities is based on the tax and non-tax revenues. To identify the dynamics of the Lebyazhievsky budget, an analysis of the tax and non-tax revenues was conducted, and fiscal security was assessed using six indicators. The indicators were then compared with the threshold values.

4. Purpose of the Study

The purpose is to assess the level of financial independence of the local budget from external sources of funding, the independence and balance of the budget, as well as the effective redistribution of financial resources, both for current needs and socio-economic development of the territory in order to develop measures aimed to improve the level of fiscal security.

5. Research Methods

The following methods were used: the statistical research method was used in collecting and summarizing quantitative data and identifying patterns of change in indicators that contribute to the

assessment of the budgetary and tax potential of the municipality; the comparative method was used for comparing indicators of the base year with the ones of reporting year and standard values.

6. Findings

Threats to the budgetary and tax security of municipalities are a set of conditions, processes and factors that form the asymmetry of financial resources and violate financial independence (Vinnichenko & Esmanov, 2014).

6.1. Potential threats to the fiscal security of municipalities

Consider the fiscal security threats presented in Table 01.

Table 1. Threats to the fiscal security of the municipality

Threat	Impact on the fiscal security of the municipality	Condition for improving the budgetary and tax security of Moscow region
External		
Changes in the budget and tax legislation	Decrease in budget revenues due to the centralization of revenues at the federal and regional levels	Legislative delineation of revenue and expenditure powers by levels of the budget system
Reducing the amount of property of local budgets by transferring it to another level of the budget system	Decrease in own revenues of budgets due to the reduction of rental payments	Transfer of objects to the local budgets of objects
Internal		
Subdivision of local budgets according to the level of provision of the population with own income of these budgets	Allocation of significant financial resources for equalizing local budget revenues per person	Increasing revenues of local budgets by improving the efficiency of using the existing and transferring additional revenues
Low level of planning of budget indicators in local budgets	Distortion of the equalizing effect of financial assistance from higher-level budgets due to discrepancies between actual and planned amounts of tax revenues	Expansion of information supply for local authorities. Improving professionalism and literacy of the authorities in the budget process
Tax avoidance	Reduction in tax revenues of the budget	Improving the efficiency of control and tax administration, reducing the tax burden
The presence of large amounts of financial obligations of municipalities	Decrease in the level of sustainability of local budgets	Improving the efficiency of spending budget funds

Fiscal security threats are factors and conditions that affect the generation of financial resources and the need for them for implementing the socio-economic policies by local governments (Yusupov et al., 2019).

6.2. Assessment of Threats to Fiscal Security of the Lebyazhievsky District

The authors assessed the level of budgetary and tax security of the Lebyazhievsky district, Kurgan region. The fiscal security of a municipality is characterized by indicators of budget revenues and fiscal potential (Temirbolatova, 2020). The budget depends on the amount of taxes collected. They constitute the revenues of the budgetary part and form financial relations of the government with companies and individuals (Bochko, 2016). An analysis identified four main threats.

1. In 2017, the budget revenue base was not fully executed by 0.008% (in terms of tax and non-tax revenues - by 0.03%). In 2019, the shortfall in the total amount of revenues was 0.03, and for tax and non-tax revenues, it was 0.024 (Table 02).

Table 2. Approved and executed values of the consolidated budget revenues

Indicator	2017		2018		2019	
	approved	executed	approved	executed	approved	executed
Tax and non-tax revenues	58231	58213	61567	61573	59920	58477
Free transfers	1005	1018	719	720	1257	1281
Total	59236	59231	62287	62293	61777	59758

2. A decrease in the amount of profit tax by 430 thousand rubles, goods sale tax - by 260 thousand rubles, national tax - by 243 thousand rubles, service provision income tax - by 516 thousand rubles, federal and municipal property use income tax - by 694 thousand rubles (Table 03).

Table 3. Dynamics of the composition and structure of tax and non-tax budget revenues

Indicator	2017		2018		2019	
	amount, thousand rubles	%	amount, thousand rubles	%	amount, thousand rubles	%
Income and income taxes	32435	55.72	32072	52.09	32005	54.73
Taxes on goods sold in the Russian Federation	4726	8.12	6259	10.17	4466	7.64
Comprehensive income taxes	3853	6.62	4953	8.04	5574	9.53
Property tax	9085	15.61	8785	14.27	10103	17.28
National tax	1024	1.76	1231	2.00	781	1.34
Debts and recalculations for certain taxes, fees and other obligatory payments	-	-	2	0.002	-	-
Income from the use of state and municipal property	3226	5.54	4888	7.94	2532	4.33
Payments for natural resources	73	0.13	54	0.09	56	0.10
Income from the provision of paid services	1685	2.89	1176	1.91	1169	2.00
Income from the sale of tangible and intangible	969	1.66	1039	1.69	778	1.33

assets						
Fines, sanctions, compensation for damage	1137	1.95	1114	1.81	1013	1.73
Total	58213	100.00	61573	100.00	58477	100.00

3. Free transfers took the largest share of revenues (89.58% in 2019), which indicates a low level of independence of the municipality.
4. Reduced percentage of execution of the consolidated budget in terms of expenditures by 2.96%, (96.65% in 2019).

6.3. Criteria for assessing the fiscal security of Lebyazhivsky district

An insignificant amount of own revenues in the budgets of municipalities, their imbalance, an insignificant level of socially significant expenses in their total amount reflect the low level of the state of local budgets (Olkhovik, 2019; Smagulova, 2010; Voroshilov & Gubanova, 2014).

The system of indicators characterizing the level of budgetary and tax security of the Lebyazhievsky district is presented in Table 04.

Table 4. Assessment of the budgetary and tax potential of Lebyazhievsky district

Indicator	2017		2018		2019	
	value	level	value	level	value	level
Share of own income in total income,%	9.94	critical	9.64	critical	10.23	unstable
Share of gratuitous income in total income,%	90.06	critical	90,37	critical	89.76	critical
Revenue coverage rate,%	9.20	critical	9.59	critical	10.25	critical
Budgetary performance in terms of own income	2631.77	critical	2468.26	critical	2695.40	critical
Level of social security of the population	19087.61	stable	21044.45	stable	21731.09	stable
Social Expenditure Elasticity by incomes	0.22	critical	0.22	critical	0.21	critical

Assessment of the budgetary and tax potential showed the critical level of its state. The municipality cannot cover all expenses with its own funds. The social sphere is not a priority for financing.

To increase the level of the budgetary and tax potential, two measures have been proposed, including the measure aimed to increase the personal income tax. The budget income of the municipality can be increased by 0.65 thousand rubles. In addition, it is necessary to reduce the expenditure by 8.33 thousand rubles through the implementation of the energy saving system. Assessment of the budgetary and tax potential of the Lebyazhievsk municipality is presented in Table 05.

Table 5. Assessment of the budgetary and tax potential of the Lebyazhievsky district taking into account the measures developed

Indicator	2017		2018	
	value	level	value	level
Share of own income in total income,%	98.84	stable	98.94	stable
Share of gratuitous receipts in total income,%	1.16	stable	1.06	stable
Revenue coverage rate,%	16.40	critical	17.92	critical
Budgetary performance in terms of own income	4494.38	stable	4917.45	stable
Level of social security of the population, r.	21044.60	stable	21044.60	stable
Social Expenditure Elasticity by incomes	0.22	critical	0.24	stable

The proposed measures will strengthen the financial and budgetary security of the Lebyazhievsky District, which is confirmed by the positive dynamics of the budgetary and tax potential indicators. |

7. Conclusion

|The financial situation in the Lebyazhievsky district is unstable. Financial and budgetary security is closely related to the economic crisis (Medvedeva et al., 2019). Crisis phenomena in the whole world and in the country affect the level of the budgetary and tax potential of the municipality. To minimize the financial risks, it is necessary to develop and implement measures aimed to minimize negative trends and improve the sustainability of development of territories. |

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