

Abstract

One of the main objectives of the current public finance act was to introduce long-term financial planning in the system of public finances. The long-term planning was to contribute towards a more rational management of public finances. Even with no legal definition of the very term of long-term planning, its fulfilment in the practical level of local government unit was achieved by long-term financial forecasts that were to enable the stimulation of financial policy of local authorities.

The long-term financial forecast document forms a database of details of the respective local authority [LA] and was intended to give possibility of real estimation of its financial viability, thus facilitating the performance of public tasks. As self-control instrument of a LA the long-term financial forecast was also intended to facilitate more rational financial decisions and support the monitoring of its budget by supervisory bodies.

Due to its structure, and in particular the forecasting of the basic budget items, the long-term financial forecast enabled the estimation of needs for financing and indication of potential value of planned incomes. It is worth stressing that the basic value of a long-term forecast structured in the aforesaid way was the answer the question whether or not the fiscal discipline, commonly referred to as the debt indicator, will be adhered to, setting the permissible debt limits for a local government.

The importance of the long-time financial forecast is growing ever since its introduction in the system of finances of local governments. Currently no long-term investment expenses are allowed, if they are not listed in long-term investment list that forms the annex to the resolution establishing the long-term financial forecast. Furthermore, every change of limits of task, project or program expenses included in the list of long-term investments necessitates a change in limits of expenses passed in the budget resolution. It is also worth stressing that the resolution concerning the long-term financial forecast is the sole document that can include authorization for executive agencies of local authorities to contract long-term liabilities. Even with no penalties in place for infringement of regulations concerning the long-term financial forecast failure to adhere to the rules of these regulations may have serious legal consequences. If the local authority lacks the possibility to pass a long-term financial forecast within the statutory limits of expenditure and liabilities, and in case of threat to completion of its public tasks, the local authority may be obliged to develop and introduce a corrective program.

Still it is worth stressing that the attempt of the legislator to introduce the long-term financial planning at the level of local authorities and with use of long-term financial forecast, practically from its beginning, met with set controversies and doubts.

What we observe is not just the dissonance at the legal level, but also at the level of language. It is hard to accept that the term of long-term financial forecast can be identical with long-term planning, as the essence of forecast comes down to predicting potential consequences and not realizing set aims that are characteristic for the concept of planning. In this area the dogmatic-legal analysis and the discussion of its historic-legal foundations with reference to the reality of functioning of local authorities' finances led us to formulation of the basic question: is the long-term financial forecast really accomplishing the long-term financial planning concept at the level of LA or is it just one of the first stages towards its introduction? An additional issue to solve is the doubt connected with the question whether the long-term financial forecast is required, to the same extent, in large local authorities with their complex budgets and in LAs, where the executive authorities responsible for financial management do not need long-term forecasts (do to the size of their budgets) that reach several years in advance? The last question that still remains to answer is whether the long-term financial forecast may form a tool for analysis of condition of local authorities' finances, by discovering the sources of risks connected with timely and efficient provision of public services, defining the sources of excessive debt and allowing the introduction of appropriate corrective actions in a long-term perspective?

The research aim of the doctoral thesis was the thorough legal analysis and evaluation of the long-term financial forecast and the role this instrument may have in long-term financial planning of local authorities.

The dissertation was divided in five factual chapters, preceded by an Introduction and ending with Conclusions. The first chapter, aiming at a historical analysis of the models of long-term planning, allowed us to distinct the basic differences between financial forecasting, programming and planning. The leading theme of this part of dissertation was to attempt the description of importance of long-term planning and conditions connected with its actual introduction in both Polish and foreign public finances. This part of the work also allowed us to include an evaluation of the influence of European Union regulations on the solutions used in this respect in Poland. The second chapter allowed us to describe the evolution of public finances regulations concerning long-term planning in Poland in recent decades. The historic analysis of the 1918-1989 regulations was to answer the following question: were there any legal frameworks for long-term public finances planning, that exceeded the traditional one

budget year perspective, prior to the system transformation, both on the state budget level and at the level of local budgets, which back then formed part of the central state administration? Furthermore in this chapter we also perform a normative analysis of 1990-2017 regulations concerning long-term financial planning, both at the level of state budget and the budgets of local authorities. The final part of this chapter is the dogmatic-legal analysis that allowed us to diagnose the basic rules connected with forecasting and controlling public finances, especially at the level of local authorities. The third chapter, through its detailed description of the evolution of the normative structure of the long-term financial forecast allowed us to define the legal character of the long-term financial forecasts and the material and procedural conditions connected with its passing by every stage of local government in Poland. Due to its reference to the template of the long-term financial forecast the fourth chapter created the possibility of detailed reflection on the scope of the long-term financial forecast and indication of the most prominent shortcomings of the long-term financial forecast institution. The final, fifth chapter allowed us to determine the importance of the long-term financial forecast and its current role in the system of public finances, especially when it comes to monitoring the state public debt, local policy and regulations and local communities. This chapter also presents proposals for changes in the structure of the long-term financial forecast, which aim at strengthening the importance of this instrument for public finances.

The legal analysis we conducted allowed us to make a stance according to which the regulations concerning the long-term financial forecast fail to detail its legal character, aims, functions and importance this instrument has in managing local finances. We must conclude that one of the basic objectives of the long-term financial forecast is to confirm the preparation and passing of the budget of local authority pursuant to the guidelines for balanced current budget and keeping within limits of individual debt indicators for subsequent budget years. Even with the many definitions attributed to the long-term financial forecast the act on public finances fails to determine the final function of this instrument in the system of public finances of local authorities. It seems that due to its connection of budget parameters, list of long-term investments and LA debt forecast the long-term financial forecast concentrates mostly on debt levels. The monitoring of LA debt levels may also be influenced by the list of long-term investments annexed to the resolution concerning the long-time financial forecast. Referring now to the elements of normative structure of the long-term financial forecast, including its scope and template resulting from implementing regulations we must conclude that the long-term financial forecast forms only limited conditions for evaluation of the financial condition of the respective LA, especially when debt, deficit and

budget balance are considered. We must stress that only a long-term financial perspective that realistically defines the capabilities of financing current tasks and investments of local authorities from own incomes and refunded income for each year included in the forecast, connected with financial fluidity of budget, will help in fulfilment of requirements defined as the individual debt indicator.

Apart from the aforesaid doubts the praxis also revealed that the long-term financial forecast, due to its excessive detail of the forecasted data, became an unnecessary or even a hindering document for the current management of finances in LAs. Since the introduction of a standardized template that requires filling of over a hundred items in table view the long-term financial forecast became illegible for most of the people who are part of voting organs of LAs, its auxiliary units, local communities and business representatives. Even with the establishment of the requirement for realistic values of the long-term financial forecast, due to lack of criteria that allow their verifications and problems connected with possibility of investigating of fulfilment of this duty by supervisory bodies, the long-term financial forecast became a document that is not always reliable. That is why, mainly due to the fact that one of the basic elements of the long-term financial forecast is the individual debt indicator, which is based almost completely on historic method (the need to analyze the last 3 budget years) in the extrapolation formula, the long-term financial forecast may rather connote the return of inefficient long-term planning methods of the real socialism era.

The final completion of research objectives confirmed the thesis stating that due to the wrong structure of regulations defining the basic elements of the long-term financial forecast, in their current state it may not be perceived as an instrument for realistic forecasting of LA budget data and debt figures in excess of a single budget year. The current long-term financial forecast requires new legal solutions, which will allow to increase the importance and functionality of this instrument for LA finances. It seems to us that the long-term financial forecast may largely improve its functionality if it will relate more realistically to the threats to timely and efficient performance of public services, provide definition of reasons for excessive debt and create conditions for implementation of long-term corrective actions. Still the precondition for reform of the long-term financial forecast is the immediate change of regulations, but also thought and formula relating to the long-term financial forecast.