

Rakhta, F. A. (2024). Analysis of developing the St. Petersburg budget from 2020 to 2023. *Current Issues of Science: Student Thought. Tuculart Student Scientific*, 4, 24-36. Ostrava: Tuculart Edition, European Institute for Innovation Development.

DOI: 10.47451/tss2024-05-02

The paper will be published in Crossref, ICI Copernicus, BASE, Zenodo, OpenAIRE, LORY, Academic Resource Index ResearchBib, J-Gate, International Scientific Indexing (ISI), eLibrary, Google Scholar, and WebArchive databases.



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Analysis of developing the St. Petersburg budget from 2020 to 2023

Abstract: The relevance of the work lies in the fact that each subject, as part of the entire Russian Federation, has its budget. This budget is intended to fulfil the entity's expenditure obligations. The federal city budget was chosen to study the process of forming and distributing funds in this region. The study object was the St. Petersburg budget, the formation and expenditure of funds in this region, like the current state of the budget (its deficit or surplus). The study subject was indicators reflecting the amount of budget revenues and expenditures, like sources of income and expenditure directions of the specified budget. The study aimed to study the revenues and expenditure indicators of the St. Petersburg budget to analyse the formation of budget funds and the direction of their expenditure. The study methods used in this work include specific legal, comparative legal, logical, system-structural, analysis, synthesis and other methods of generalising scientific material and practical experience. This topic was raised by such scientists as O.G. Arkadieva, N.V. Morozova, E.I. Mayorova, and E.Y. Gracheva. The author concludes that when forming the St. Petersburg budget, many factors affecting the economy are considered, including the amount of income for the planned period. The city's budget is built with a deficit. It is done for the most efficient use of funds. In addition, the approved income and expenses do not match the actual value for the reporting period. The analysis of the budget of St. Petersburg for the past financial reporting period helps to identify and develop the most accurate draft city budget for the next reporting period.

Keywords: city budget, St. Petersburg, formation of budget funds, expenditure of budget funds.



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Анализ развития бюджета города Санкт-Петербурга в период с 2020 по 2023 годы

Аннотация: Актуальность работы заключается в том, что каждый субъект как часть всей Российской Федерации имеет собственный бюджет. Данный бюджет предназначен для исполнения расходных обязательств субъекта. Бюджет города федерального значения Санкт-Петербурга был выбран для исследования процесса формирования и распределение денежных

средств в данном регионе. Объектом исследования был бюджет Санкт-Петербурга, формирование и расходование денежных средств в данном регионе, а также нынешнее состояние бюджета (его дефицит, либо профицит). Предметом исследования были показатели, отражающие сумму доходов и расходов бюджета, а также источники доходов и направления расходов указанного бюджета. Целью исследования являлось исследование показателей доходов и расходов бюджета Санкт-Петербурга, анализ формирования бюджетных средств и направления их расходования. К методам исследования, применённым в данной работе, относится специально-юридический, сравнительно-правовой, логический, системно-структурный, анализ, синтез и другие приемы обобщения научного материала и практического опыта. Данная тематика поднималась такими учеными как, О.Г. Аркадьева, Н.В. Морозова, Е.И. Майорова, Е.Ю. Грачева. Автор делает вывод, что при формировании бюджета Санкт-Петербурга учитываются многие факторы, влияющие на экономику, в том числе и количество доходов на планируемый период. Бюджет города построен с дефицитом, это сделано для наиболее эффективного использования денежных средств. Кроме того, утвержденные доходы и расходы не совпадают с фактическими значениями за отчетный период. Анализ бюджета Санкт-Петербурга за прошедший финансовый отчетный период помогает определить и сформировать разработать наиболее точный проект бюджета города на следующий отчетный период.

Ключевые слова: городской бюджет, Санкт-Петербург, формирование денежных средств бюджета, расход денежных средств бюджета.



Abbreviation:

AC is Accounting Chamber of the State Duma of the Russian Federation,

BC is the Budget Code of the Russian Federation,

B&TC is the Budget and Taxes Committee,

RF is the Russian Federation,

SD is the State Duma of the Russian Federation.

Introduction

The relevance of the work lies in the fact that each subject, as part of the entire Russian Federation, has its budget. This budget is intended to fulfil the entity's expenditure obligations. At the same time, it is worth forgiving that any budget, regardless of its level, always consists of three elements: formation, distribution, and execution. The activity of each entity is inextricably linked with cash, which is why it is so significant to focus on processing its formation and distribution.

The Russian Federation's legislation defines the budget. Thus, Article 6 of the BC understands the budget as a way of forming and spending funds intended for financial support of the tasks and functions of the state and local self-government. Without funds or a well-designed spending system, it is impossible to imagine any subject in Russia.

All Russian subjects have an independent budget focused on fulfilling expenditure obligations. The budget is determined by three interrelated factors: the formation, distribution, and use of funds.

The federal city budget was chosen to study the process of forming and distributing funds in this region.

The study object is the St. Petersburg budget, including the formation and expenditure of funds in this region and the current state of the budget (its deficit or surplus).

The study subject is indicators reflecting the amount of budget revenues and expenditures, like sources of income and expenditure directions of the specified budget.

The study aims to examine the indicators of revenues and expenditures in the St. Petersburg budget, to analyse the formation of budget funds, and to determine the direction of their expenditures.

According to the goal, the following tasks were set when writing the work:

- give general characteristics of St. Petersburg as Russia's subject;
- study the St. Petersburg budget income and expenditure indicators;
- analyse the formation and distribution of the St. Petersburg budget funds;
- compare the St. Petersburg budget with other subjects in Russia.

The research methods used in this work include unique legal, comparative legal, logical, system-structural, analysis, synthesis and other methods of generalising scientific material and practical experience.

Scientists such as O.G. Arkadieva, N.V. Morozova, E.I. Mayorova, and E.Y. Gracheva raised this topic.

The study's practical significance lies in the analysis and formation of conclusions regarding the structure of expenses and incomes of a particular Russian region.

Results

Theoretical aspects of forming the Russian Federation subject budget

Budget formation and execution principles

According to G. Arkadieva, the budget is an economic category, implementing the redistribution of gross domestic product (GDP), financial regulation and incentives, ensuring the stable functioning of the public administration sector, like the country's social policy (*Arkadieva & Berezina, 2023, p. 8*).

In addition, the budget can be defined as an economic entity's main financial plan, demonstrating the sources of income and spending directions.

According to N. M. Sabitova, the principle is a feature of the structure of the state budget system established by legislation (*Sabitova, 2013*). One cannot disagree with this concept since countries' budget systems may differ radically, which means that the principles of their budget systems will vary accordingly.

According to E.I. Mayorova, the budget process is based on principles, compliance with which makes it possible to most effectively implement and use the budget so that the state's funds are used with maximum benefit for the development of society (*Mayorova & Kbrolenkova, 2020, p. 70*).

Chapter five of the BC enshrines the principles of the budget system:

- the principle of budget system unity;
- the principle of dividing income and expenses between the levels of the budget system;
- the principle of budget independence;

- the principle of the income and expenses display completeness in the budget;
- the principle of budget balance;
- the principle of efficiency and economy in using budgetary funds;
- the principle of general coverage of budget expenditures;
- the principle of transparency;
- the principle of budget reliability;
- the principle of budget funds targeting some expense types (*The Budget Code, 1998*).

The budgetary system unity principle implies a legislation commonality, a standard state monetary system, in which the only means of payment is the Russian ruble. In addition, the commonality of financial and budgetary documents, the integrity of the budget formation stage, and the equivalence of liability measures for violations of the current law in budget regulation are also important. The commonality and equivalence of a single process of financing budget expenditures and the accounting procedure for budget funds at all integrated system levels.

The principle of dividing income and expenses between the budget system levels implies distributing some income and costs for Russia's specific authorities, subjects and local governments.

The budget independence principle establishes that each authorised entity performs the budget process independently at its level of the budget system. This means, e.g., that at the federal level, federal authorities determine the directions of expenditures; at the regional level, regional authorities, and at the municipal level, local governments.

The principle of the income and expense display completeness in the budget means that income and expenses, like other budget revenues established by law, must be reflected in the relevant budgets.

The balance principle means that the income amount indicated in the budget plan should be equal to or greater than the expenses. In addition, it is worth noting that the costs should consist of the minimum required amount.

The principle of efficient use of budgetary funds implies that when drawing up and executing the budget, the authorities should strive to achieve maximum results at minimum cost.

The principle of total budget expenditure coverage means that the total funds from budget deficit coverage revenues and sources should cover all expenditures.

No less significant is the transparency principle, which means mandatory publication in the open press of approved budgets, a report on their execution, and completeness of information about approved budgets, like the availability of other information by decision of legislative and representative authorities. Unfortunately, this principle is not always respected. Since not all budgets are fully disclosed, some budget information percentages remain classified.

The reliability principle indicates that when budgeting for the next planning and financial years, only reliable, truthful, reliable sources of information on the target indicators of the region's socio-economic development are used, such as the most realistic and truthful calculation of budget revenues and expenditures.

The budgetary funds targeting principle means allocating funds to specific budget recipients and designating goals for which the allocated funds are used.

The cash register budget unity principle provides for crediting all income and implementing all expenses from a single budget account of the Federal Treasury.

Thus, the preparation and execution of the principles of Russia's constituent entity budgets play a significant role. Principles are a fundamental element of the entire budgeting and execution process, the guiding principle of the budget process. Without knowledge and application of principles in budgeting, it will be impossible to estimate the expenses and incomes of Russia's constituent entity from a financial viewpoint. All the principles combine harmoniously and complement each other.

The budget formation and execution process

The budget formation and execution process are the same in Russia as a whole and in each subject. The difference lies only in the bodies performing this or that action and timing. In general, the author will consider the budget formation and execution process in Russia.

The budget process is divided into four stages:

- drafting the budget,
- reviewing and approving the budget,
- directly executing the budget itself,
- preparing a budget execution report.

So, next, it is necessary to analyse each stage in more detail.

The first stage is preparing a draft budget. This process is led by Russia's government, the relevant executive authorities of the subjects, and local governments. The Ministry of Finance, of Russia's constituent entity financial authorities, e.g., the Finance Committee of St. Petersburg, and municipalities are directly involved in drafting the budget.

Because the budget formation process is complex and multifactorial, it must be prepared no later than ten months before the start of the next financial year.

In turn, this stage can be divided into three stages:

- develop a forecast plan;
- allocate the maximum budget financing amounts by the Ministry of Finance;
- consider the project by Russia's Government and send it to the SD with the documents attached.

We are systematically moving on to the second stage of the most enjoyable process: considering and approving the budget.

At the same time, it is crucial to consider that Russia's government submits for consideration and approval to the SD a draft federal law on the federal budget for the next financial year and the planning period no later than October 1 of this year. Russia's President receives this bill at the same time as the SD. For example, the draft Federal Law "On the Federal Budget for 2023 and the planning period 2024 and 2025" is worth submitting no later than October 01, 2022.

It is necessary to recall the SD's organisational structure, which consists of many committees affecting a specific field of activity. Accordingly, the SD's Council sends the documents required to the B&TC to prepare and bring them into compliance with current legislation.

A draft federal law is accepted only if it contains the documents specified in Article 192 of the BC. Otherwise, it is returned to the Government for revision and elimination of deficiencies. At the same time, Russia's government has only ten days to eliminate its shortcomings.

Further, this bill is worth sending to other SD committees for making comments and suggestions and to Russia's AC for giving an opinion. It is important to remember that the SD is limited to sixty days, as provided for its consideration in three readings.

Its concept, the forecast of the Russian Federation's socio-economic development, the projected GDP volume, and the inflation rate are discussed during its consideration.

Also, all committees must prepare and submit conclusions and proposals on adopting or rejecting the submitted draft law, like proposals and recommendations on the first reading, within 10 days. After these actions, the B&TC prepares a consolidated general opinion on the SD's draft law and a draft resolution on the adoption or rejection in the first reading of the draft federal law on the federal budget and submits them to the SD for consideration.

Suppose the draft federal law on the federal budget for the next financial year and planning period is rejected. In that case, it is submitted to the Conciliation Commission, which develops a version of the main characteristics within ten days. Upon completion of the conciliation commission's work, the Government submits to the SD the agreed-upon main characteristics of the above-mentioned draft law of the federal budget.

The SD's resolution on adopting the bill in the first reading completes the bill's consideration in the first reading. Otherwise, it is considered rejected again in the first reading. It is significant to think that the repeated rejection of the draft federal law on the federal budget is possible only if the SD raises the issue of trust in the government.

Within 10 days, the B&TC prepares summary tables of amendments on the subject of the second reading and sends these tables to the relevant committees and Russia's Government.

At the second reading, an appendix is adopted containing the departmental structure of federal budget expenditures for the next financial year and planning period according to the distribution of budget allocations approved in the second reading.

The bill is put to the vote as a whole for consideration in the third reading. The federal law on the federal budget for the next financial year and the planning period adopted by the SD is submitted to the Federation Council for consideration within five days from the date of adoption, which considers it within 14 days from the date. After approval, it is sent to the President of the Russian Federation within five days for approval and publication.

The Conciliation Commission is a significant body necessary to overcome the differences that would arise if the Federation Council or Russia's President rejected the bill.

Remember that such a bill also contains secret articles closed to public access. Such articles are considered at a closed meeting of the Chambers of Russia's Federal Assembly.

Now, we can move on to the longest third stage, budget execution, from January 1 to December 31. According to Article 215.1 of the BC, the execution of the treasury budget has been established in Russia according to the cash plan and the consolidated budget list. Thus, it is performed by the Federal Treasury and its bodies.

It is necessary to revert to the budget execution principles, namely, the cash register budget unity principle. This principle provides for crediting all income and implementing all expenses from a single federal budget account.

Revenue execution, in turn, provides for the transfer and crediting of income to a single budget account and the distribution of regulatory revenues. The expenditure budget is executed within the limits of the actual availability of budgetary funds with mandatory prior authorisation and financing.

Due to Article 219 of the BC, authorisation is worth understanding as:

- preparing and approving a budget list,
- approving and notifying budget allocations to managers and recipients,
- approving estimates,
- approving and notifying limits,
- accepting monetary obligations of recipients,
- confirming and reconciling the use of budget funds.

Managers and recipients receive indicators within 10 days of approving the consolidated budget list. Within ten days from receipt of notification of budget allocations, the budgetary institution is obliged to draw up and submit an estimate of income and expenses for approval by a higher administrator. Within five days, the administrator approves it and transmits it to the Federal Treasury within one working day.

The budget obligation limit is worth understanding because it limits how much managers and recipients must spend on budget funds for a certain period.

The restrictions provided for by the current legislation have been established for budget funds. So, it is impossible to place budget funds on deposits. At the same time, there is also a legal regime in which foreclosure on budgetary funds is performed only based on a court decision providing for damages:

- (a) in the amount of underfunding if the funds have been approved as part of budget expenditures;
- (b) caused by the actions of public authorities.

A significant final stage is the reports: operational, quarterly, semi-annual, and annual. The SD approves the annual report on budget execution. The financial year ends on December 31, and the limits expire. Unused funds are credited to newly opened accounts.

The last and final stage is the preparation and approval of the budget execution report. The Government shall submit a report in federal law form to the SD no later than June 01 of this year. The AC checks the report and gives an opinion.

Thus, forming and executing the budget process is a very complex, multifaceted issue. The significance of budget adoption and execution cannot be underestimated. The entire financial reporting year will depend on a well-designed and balanced budget. This procedure for approving and executing the budget is balanced and capable of considering the interests of all spheres of society.

The practical aspect of Russia's constituent entity budget on the example of St. Petersburg

General characteristics of St. Petersburg as a subject of the Russian Federation

The selected RF's subject is located in the Northwestern Federal District and is a city of federal significance within Russia. From 1714 to 1728 and 1732 to 1918, it was the capital of the Russian state.

The administration of the St. Petersburg District is headed by the head of the Administration, who is appointed and dismissed by the St. Petersburg Government.

St. Petersburg's territory consists of administrative-territorial units or districts. According to the Law of St. Petersburg, "On the Territorial Structure of St. Petersburg," 111 inner-city municipalities, including 81 municipal districts, nine cities, and 21 settlements, are located within the boundaries of the districts.

St. Petersburg is an RF subject in the form of a city of federal significance. It borders foreign countries from the west, namely Finland and Estonia. In the northeast, it borders Karelia with other subjects of the RF and the Novgorod and Pskov regions in the southern part of the subject. In the east, it borders the Vologda region.

The region's area is 1,439 sq. km, occasionally increasing due to alluvial territories. According to official Russian statistics, the city's population is 5,601,911 (2021).

St. Petersburg has an advantageous territorial location. It is located at the intersection of various transport routes and is close to the European commodity market. In addition, St. Petersburg represents the most significant historical and cultural value for Russia and the world.

The cultural sphere significantly improves the quality of life and ensures comfortable living conditions for the city's people. St. Petersburg is one of the most popular tourist destinations, with thousands of open leisure facilities. Nevertheless, more and more new leisure venues are opening up every year.

The concept of industrial, transport, scientific, educational, cultural and tourist centres directly relates to St. Petersburg. The basis of St. Petersburg's industry is heavy industry, including mechanical engineering. The city has developed transport engineering (JSC "Power Machines"), ferrous (PJSC "Severstal") and non-ferrous metallurgy (JSC "Krasny Vyborzhets Plant") are also of great significance. In addition, it is worth noting the production of electrical appliances (JSC "Leningrad Electromechanical Plant"). There are a large number of universities in the scientific and educational sphere in St. Petersburg, such as St. Petersburg State University, HSE in St. Petersburg, NWF RGUP, St. Petersburg Polytechnic University of Peter the Great, St. Petersburg State University of Economics, etc. Sustainable economic development is impossible without all these areas, which effectively complement each other.

St. Petersburg occupies the 4th place in the economy among the subjects. The city is inferior to Moscow, Tyumen and Moscow regions. However, the trend towards successful economic development continues in St. Petersburg, allowing the city to occupy a higher place in the Russian economy soon.

By the end of 2021, the gross regional product (GRP) characterising the state of the city's economy increased to 5,236 billion rubles (2020 – 5,235 trillion rubles), but such an increase is insignificant. Construction, manufacturing, trade, transportation and storage, and the activities of hotels, like catering enterprises, play the most significant roles in the St. Petersburg GRP.

Pharmaceutical materials remain one of the St. Petersburg economy's most promising and rapidly developing sectors.

According to Article 12 of the Law of St. Petersburg on the budget process, the preparation of the draft budget is performed by the St. Petersburg government. However, the financial authority directly prepares the draft budget. In addition, Article 6 of this law lists the participants in the budget process. Analysing their powers in budget adoption, it can be concluded that St. Petersburg has implemented a "system of checks and balances" when approving the budget plan for the next financial year, including executive authorities' supervision and control in budgeting. Thus, the draft budget, the monetary authority submits to the Legislative Assembly of St. Petersburg, and documents are forwarded to the Control and Accounting Chamber of St. Petersburg. The St. Petersburg government determines the procedures and deadlines for drafting the budget.

St. Petersburg budget revenues

E E.Y. Gracheva defines the budget as the central link of the society's financial system, like the economic basis for the state and municipalities to perform their functions (*Gracheva & Sokolova, 2021, p. 47*).

According to Article 6 of the BC, the budget is a form of funds for education and expenditure intended for financial support of the tasks and functions of the state and local government. The state and municipal budget is of great significance for the political and economic life of the country (*The Budget Code, 1998*).

The presented summary analysis table shows the characteristics of St. Petersburg's budget for 2020-2022 (*On the St. Petersburg Budget..., 2022*).

The report on the execution of the city's budget shows that the city is developing systematically despite the unforeseen expenses (*On the Execution..., 2022*). Thus, planned revenues from 2020 to 2021 increased by 165,330.1 thousand rubles, or 20.4%. Actual revenues grew in the same range.

There is a tendency to reduce costs when comparing planned and actual expenses. So, it is exciting to see the budget for 2022, surplus or deficit. As of December 2022, approximately 32.7% of the city's budget revenues remain unfulfilled. Undoubtedly, these funds are assumed to repay St. Petersburg's debt.

For 2022, St. Petersburg's budget will exceed 1 trillion rubles for the first time. This is despite the implementation of the city's development strategy. Thus, according to the city's development strategy, four main directions were identified. In turn, it can be characterised by four epithets: a comfortable city, a social city, a smart city, and an open town.

As part of the development of transport infrastructure, according to the instructions of the President of the Russian Federation, the following activities were identified in St. Petersburg:

- constructing a high-speed latitudinal highway, including the Vitebsk interchange,
- developing transport infrastructure,
- constructing a road interchange near Poklonnaya Gora,
- developing the St. Petersburg railway junction,
- developing the Kudrovo metro and overpasses across railway tracks.

For 2022, revenues of 1,107,902.3 thousand rubles and expenses of 1,066,085.7 thousand rubles are planned. Thus, the trend towards a budget surplus continues, and the budget surplus will amount to 41,816.7 thousand rubles.

The characteristics of the main St. Petersburg budget parameters have generally remained unchanged for 11 years. The dynamics of income excess over expenses continue. For example, 2018, before the coronavirus pandemic, revenues exceeded expenses by about 10 million rubles. However, in 2019, experts saw the opposite situation, where expenses already exceeded revenues by about 10 million rubles.

When analysing the city's income, you should consider the structural part that makes them up. Thus, the income bulk consists of two indicators: income tax and income for individuals. These two categories bring 71.2% of the city's total income. In 2021, the tax on individuals brought 41% of revenues to the city budget, and the income tax was 30.2%. The remaining positions represent a minor part of its revenue. The most unpopular ways to replenish the budget are state duty, fines, and income from the sale of property.

High growth rates (over 115%) in 2021 were observed for the following income sources:

- corporate income tax (144.9%),
- excise taxes (126%),
- corporate property tax (115.4%),
- personal income tax (115.1%).

The actual gratuitous receipts from other RF budgetary system budgets to the St. Petersburg budget in 2021 amounted to 52,219.5 million rubles, including grants of one billion rubles, subsidies of 7,828,651 million rubles, and subventions of 16,387 million rubles.

Based on the presented statistical data on St. Petersburg's income for 2021, it is worth noting that taxes and fees account for 88.9% of all income, non-tax revenues bring only 4.9%, and revenues from the federal budget and budgets of other RF's subjects amount to only 6.2%. St. Petersburg generally provides for itself through taxes; other receipts do not exceed 11.1% of all receipts. As in many other Russian regions, the income formation structure in St. Petersburg is formed mainly from tax revenues. Also, the low level of gratuitous receipts allows us to assert that such an RF's subject as St. Petersburg can provide for itself while not forgetting about its economic growth.

St. Petersburg budget expenditures

Actual expenses for 2020 amounted to 710,317 thousand rubles; for 2021, they amounted to 796,487.6 thousand rubles. The increase in costs was 86,170.6 thousand rubles or 10.8%. It is premature to talk about expenses for 2022 since, as of December 2022, the percentage of unused income was 30.2%.

The structural characteristics of the St. Petersburg budget expenditures for 2021 are presented below. Thus, the following structural categories account for the most expenses: national economy, education, social policy, and health care. This cost allocation concept does not change in 2022 or the planned 2023.

The city's expenses can be divided into two categories: programme expenses and non-programme expenses. Non-programme expenses are only 7.5%, but programme expenses are 92.5%. That is why the researchers should focus on them in more detail.

As many as 18 government programmes have been adopted in St. Petersburg, the name of which can be seen below. After analysing the initial budget assignment with the actual execution, we can conclude that a single programme's implementation percentage is high. The total percentage of all programmes was 92.5%. It follows from this that the executive authorities have identified the most significant sectors of the implementation of state programmes and closely monitor their implementation.

The dynamics of expenditure by focus for 2021 are presented next. These goals will not radically differ from 2020, 2022, and 2023. As you can see, it is planned to spend 24% on the education block, 20% on the national economy, 15% on health care, and 19% on social policy. Thus, the social orientation of St. Petersburg's budget expenditures is emerging.

The author analysed the sections of the classification in comparison with previous years' periods. So, in almost all cases, there is a planned expenditure of funds. The increase in expenses by category varies slightly, according to needs. However, what is noteworthy is the cost of healthcare, which increased most significantly in 2020 and 2021. These changes are closely related to the COVID-19 epidemic. The second section, which will dramatically increase, is on servicing state (municipal) debt.

As of January 01, 2022, St. Petersburg's state debt amounted to 85,006.1 million rubles. To implement the programme to reduce the city's public debt, the expenditure section dedicated to servicing the public debt has increased accordingly.

Thus, a budget element such as expenses is formed based on the most significant spheres of society's life. These areas include healthcare, education, social protection, and the economy. They are designed to ensure a systematic and qualitative improvement in citizens' lives.

The directions of St. Petersburg debt policy

The St. Petersburg debt policy, according to the Decree of the St. Petersburg government No. 1029, dated December 03, 2020 (*On the Approval..., 2020*), has the following directions of public debt policy for 2021 and the planning period of 2022 and 2023:

- increasing the efficiency of public borrowing;
- optimising the structure of public debt to minimise the cost of servicing it;
- maintaining debt sustainability within safe zones;
- ensuring conditions for maintaining credit ratings at the level of Russia's sovereign credit ratings.

The factors that determine the direction of St. Petersburg's debt policy in 2021-2023 are:

- the impact of St. Petersburg's economic situation deterioration risks as a result of a decrease in its income;
- the need to apply additional measures to support the population and economy of the city to mitigate the effects of the pandemic caused by COVID-19;
- the probability of forming a global economy with different dynamics characterised by low economic growth rates;

- high volatility in emerging markets;
- the need to finance the budget deficit;
- maintaining the need for financing large investment projects;
- the need to maintain high debt sustainability following the BC.

The state debt of St. Petersburg

The debt policy aims to ensure St. Petersburg's budget balance while maintaining a high degree of debt sustainability, such as timely fulfilment of debt obligations.

The St. Petersburg's debt policy tasks are (*On the Approval..., 2019*):

- increasing the efficiency of government borrowing;
- optimising the public debt structure to minimise the cost of servicing;
- maintaining debt sustainability indicators within safe zones;
- ensuring conditions for maintaining credit ratings at the level of Russia's sovereign credit ratings.

As of January 01, 2022, the amount of St. Petersburg's public debt corresponded to the restrictions established by Article 11 of the Law of St. Petersburg No. 549-114, dated November 25, 2020 (*On the St. Petersburg Budget..., 2020*). Excluding gratuitous receipts, St. Petersburg's public debt volume ratio on the specified date to the actual annual budget revenues volume is 10.7%, with the limit value of this indicator established by the BC at the level of 50% for Russia's subjects classified as a group of borrowers with high debt sustainability. Therefore, this indicates the high debt sustainability of the St. Petersburg budget. As part of implementing the programme to reduce the city's public debt, the expenditure section dedicated to servicing the public debt has increased.

St. Petersburg's debt policy's main determining directions in 2021-2023 are:

- the need to apply additional measures to support the population and economy of the city to mitigate the consequences of the pandemic caused by COVID-19;
- high volatility in the financial markets of developing countries;
- maintaining the budget deficit;
- the need to finance large investment projects;
- the prospect of the need to finance the budget deficit;
- the need to maintain the debt sustainability of the city at a high level.

The St. Petersburg government presented a summary graph of the public debt and a graph of expenses related to servicing the public debt. Unfortunately, there have been no trends towards reducing public debt over the past seven years and the planned next two years. It continues to grow steadily. At the same time, its ratio to the city's tax and non-tax revenues will also increase. In 2020, this figure was 25.4%. In 2021, it is already equal to 37.7%.

Nevertheless, the St. Petersburg Finance Committee is taking all possible measures to reduce it. However, as of December 01, 2022, St. Petersburg's state debt amounted to 94,675.4 million rubles. Thus, 1.4% of their expenses were spent only on debt servicing in 2021. And in 2023, according to planned calculations, this figure may amount to 2.5%.

All 100% of the city's public debt consists of debt obligations on St. Petersburg securities.

In summary, regarding the selected entity's debt policy, it can be argued that the St. Petersburg budget is currently in deficit, although it was in surplus in 2023. However, while this entity has a huge public debt, discussing a surplus budget is impossible.

Conclusion

Based on the analysis, several provisions can be deduced. When forming St. Petersburg's budget, many factors affecting the economy are considered, including the amount of income for the planned period. The city's budget is built with a deficit; this is done to make the most efficient use of funds. In addition, the approved income and expenses do not match the actual value for the reporting period.

St. Petersburg's budget analysis for the past financial reporting period helps to identify and develop the most accurate draft budget of the city for the next reporting period.

According to the statistical report on budget execution, revenues in 2021 reached 807,599.3 million rubles or 100.5% of the indicator approved by the Budget Law for 2021. Actual revenues amounted to 843,344.7 million rubles or 104.4% of the figure approved by the Budget Law for 2021.

Unfortunately, for the St. Petersburg citizens, the central part of the St. Petersburg income, like any other budget, is income tax in the amount of 30.2% of all income and tax on individuals in the amount of 41.2%. In any case, despite the high taxes and high growth rates, the city also bears the corresponding costs for the socio-economic improvement of the lives of the city's citizens. Although implementing the St. Petersburg development strategy is not going very smoothly, the city is systematically moving towards its goal.

One of St. Petersburg's main goals is to reduce its debt. Despite the unfavourable trend towards increasing debt, we also observe a trend towards growing expenses for servicing it. So, with favourable conditions, it may be possible to repay the debt in full in the foreseeable future.

The current economic, political, and social situation, both in the whole country and separately in St. Petersburg, makes city development difficult. The budgets for 2021 and the planned 2022 and 2023 are in deficit. Not so long ago, the concept of a "surplus budget" was withdrawn from the Russian Federation's budget code. This event will allow for more efficient use of funds. After all, in an ideal economic system, the city's budget should be neither deficit nor surplus.



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