GOVERNMENT EXPENDITURE & REVENUE SCOTLAND 2014-15

MARCH 2016

The Scottish Government
Riaghaltas na h-Alba

GOVERNMENT EXPENDITURE & REVENUE SCOTLAND 2014-15

MARCH 2016

The Scottish Government, Edinburgh 2016

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ISBN: 978-1-78652-029-6

Published by The Scottish Government, March 2016

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS65908 (03/16)

CONTENTS

SUMMARY		2
PREFACE		7
1	PUBLIC SECTOR REVENUE	11
2	NORTH SEA REVENUE	19
3	PUBLIC SECTOR EXPENDITURE	23
A	SUPPLEMENTARY TABLES	31
B	REVISIONS	42
C	LIST OF ABBREVIATIONS	50
D	GLOSSARY	51

SUMMARY

- Government Expenditure and Revenue Scotland (GERS) is a National Statistics publication. It estimates the contribution of revenue raised in Scotland towards the goods and services provided for the benefit of Scottish residents under the current constitutional arrangements. The estimates are consistent with the UK Public Sector Finances published in January 2016 by the Office for National Statistics (ONS).
- Following user consultation, the publication has a new format this year. Feedback from users of the publication is welcome. A correspondence address is available in the back leaf of the publication. Comments can be emailed to economic.statistics@gov.scot.

Scotland's revenue and expenditure

- Table E.1 shows two estimates of Scotland's public sector revenue presented in GERS: (i) excluding North Sea revenue, and (ii) including an illustrative geographical share of North Sea revenue. Estimates including a population share of North Sea revenue are available in the main chapters.
- Scotland's estimated onshore revenue in 2014-15 was £51.6 billion, growing by 3.2% compared to 2013-14. As a percentage of GDP, onshore revenues fell in 2014-15, as nominal onshore GDP grew faster than revenue. A similar fall is seen for the UK.
- Growth in onshore revenue in Scotland was weaker than for the UK as a whole (3.2% compared to 4.0%). This reflects the fact that capital gains tax is estimated to have grown more slowly in Scotland and that the UK saw an increase in income from student loans issued in England, Wales, and Northern Ireland, which do not affect estimates of Scottish public sector revenue.
- Including an illustrative geographical share of the North Sea, total Scottish revenue fell in cash terms by £607 million in 2014-15. This reflects the decline in North Sea revenue, which fell by 55% compared to 2013-14.
- The fall in Scottish revenue as a percentage of GDP is smaller when including the North Sea, because North Sea GDP also declined, by 31%. The fall in North Sea revenue and GDP occurred because increasing operating costs and falling prices have reduced North Sea profits and therefore GDP. Higher levels of capital investment have further reduced companies' tax liabilities.

Table E.1: Total Revenue: Scotland 2010-11 to 2014-15

	(£ million)				
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Excluding North Sea revenue	45,530	47,246	48,276	50,051	51,639
Including North Sea revenue (geographical share)	52,996	56,878	53,565	54,050	53,443
	As % of UK total revenue				
Excluding North Sea revenue	8.1%	8.1%	8.1%	8.1%	8.0%
Including North Sea revenue (geographical share)	9.2%	9.6%	8.9%	8.6%	8.2%
	As % of GDP				
Excluding North Sea revenue	36.8%	36.9%	37.0%	37.0%	36.7%
Including North Sea revenue (geographical share)	36.1%	37.5%	35.8%	35.2%	34.9%
UK	36.4%	36.5%	35.9%	35.6%	35.4%

- Table E.2 below shows estimates of revenue per person for Scotland and the UK. Excluding North Sea revenue, revenue per person in Scotland is lower than in the UK by approximately £200 to £400 per year. Including an illustrative geographical share of North Sea revenue, the difference between revenue per person in Scotland and the UK is quite variable. In the latest year, Scottish revenue per person was slightly lower than the UK average, although the difference is not notable when rounded to the nearest £100.

Table E.2: Revenue per person: Scotland and UK 2010-11 to 2014-15 (£)

	2010-11	2011-12	2012-13	2013-14	2014-15
Scotland					
Excluding North Sea revenue	8,600	8,900	9,100	9,400	9,600
Including North Sea revenue (geographical share)	10,100	10,700	10,100	10,100	10,000
UK					
Excluding North Sea revenue	9,000	9,200	9,300	9,700	10,000
Including North Sea revenue	9,100	9,400	9,400	9,700	10,000
Difference (Scotland minus UK)					
Excluding North Sea revenue	-400	-300	-200	-300	-400
Including North Sea revenue (geographical share)	1000	1300	700	400	0

Note: Figures rounded to nearest £100

- Table E.3 below shows estimates of total managed expenditure for Scotland and the UK, the principle measure of overall public spending in the UK public sector finances. The figures are affected by a one-off increase in expenditure associated with the transfer of the Royal Mail Pension Plan into government in 2012-13. This increased expenditure in this year by £9.5 billion for the UK, and £800 million for Scotland, which represents Scotland's population share. As a result, there is then a relatively large fall in expenditure in 2013-14.

- Scotland's share of UK expenditure is relatively stable over the period, at around 9.3%.

- Expenditure as a share of GDP including an illustrative geographical share of the North Sea increases in 2014-15. This reflects the decline in North Sea GDP discussed above.

Table E.3: Public Sector Total Managed Expenditure: 2010-11 to 2014-15

	2010-11	2011-12	2012-13	2013-14	2014-15
Scotland - £ millions	65,705	66,125	67,746	67,482	68,377
Share of UK (%)	9.3%	9.3%	9.4%	9.3%	9.3%
			As % of GDP		
Scotland - excluding North Sea	53.1%	51.6%	52.0%	49.9%	48.6%
Scotland - including geographic share of North Sea	44.7%	43.6%	45.3%	44.0%	44.6%
UK	45.0%	43.4%	43.0%	41.4%	40.3%

- Table E.4 below shows expenditure per person for Scotland and the UK. Expenditure for Scotland has been consistently higher per person than the UK average over the period.

Table E.4: Total Managed Expenditure per person: Scotland and UK 2010-11 to 2014-15					
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Scotland (£)	12,500	12,500	12,700	12,700	12,800
UK (£)	11,300	11,200	11,300	11,300	11,400
Difference (Scotland minus UK) (£)	*1,200*	*1,300*	*1,400*	*1,400*	*1,400*

Note: Figures rounded to nearest £100

Scotland's Overall Fiscal Position

- GERS provides two measures of Scotland's fiscal position, the current budget balance and the net fiscal balance.
- The current budget balance shows the difference between revenue and current expenditure. It measures the degree to which taxpayers meet the cost of paying for day-to-day public services, excluding capital investment. It is shown in Table E.5 below.
- Excluding North Sea revenue, the current budget balance for Scotland tends to move in line with the figure for the UK, although the deficit in Scotland is typically six to seven percentage points larger. In 2014-15, the Scottish onshore current budget balance improved by 0.8 percentage points, whilst the UK improved by 0.9 percentage points. When including an illustrative geographical share of the North Sea, the movement in Scotland's current budget balance is more variable, and does not follow the same pattern as the UK. Between 2013-14 and 2014-15, Scotland's current budget balance including an illustrative geographical share of North Sea revenue worsened by 1.1 percentage points, reflecting the decline in North Sea revenue in this year.

Table E.5: Current Budget Balance: Scotland and UK 2010-11 to 2014-15					
	(£ million)				
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Scotland - Excluding North Sea	-16,598	-15,339	-14,911	-14,332	-13,741
Scotland - Including North Sea (geographical share)	-9,132	-5,707	-9,622	-10,332	-11,937
UK	*-94,961*	*-83,473*	*-84,760*	*-73,754*	*-59,777*
	As % of GDP				
Scotland - Excluding North Sea	-13.4%	-12.0%	-11.5%	-10.6%	-9.8%
Scotland - Including North Sea (geographical share)	-6.3%	-3.7%	-6.5%	-6.7%	-7.8%
UK	*-6.1%*	*-5.2%*	*-5.1%*	*-4.2%*	*-3.3%*

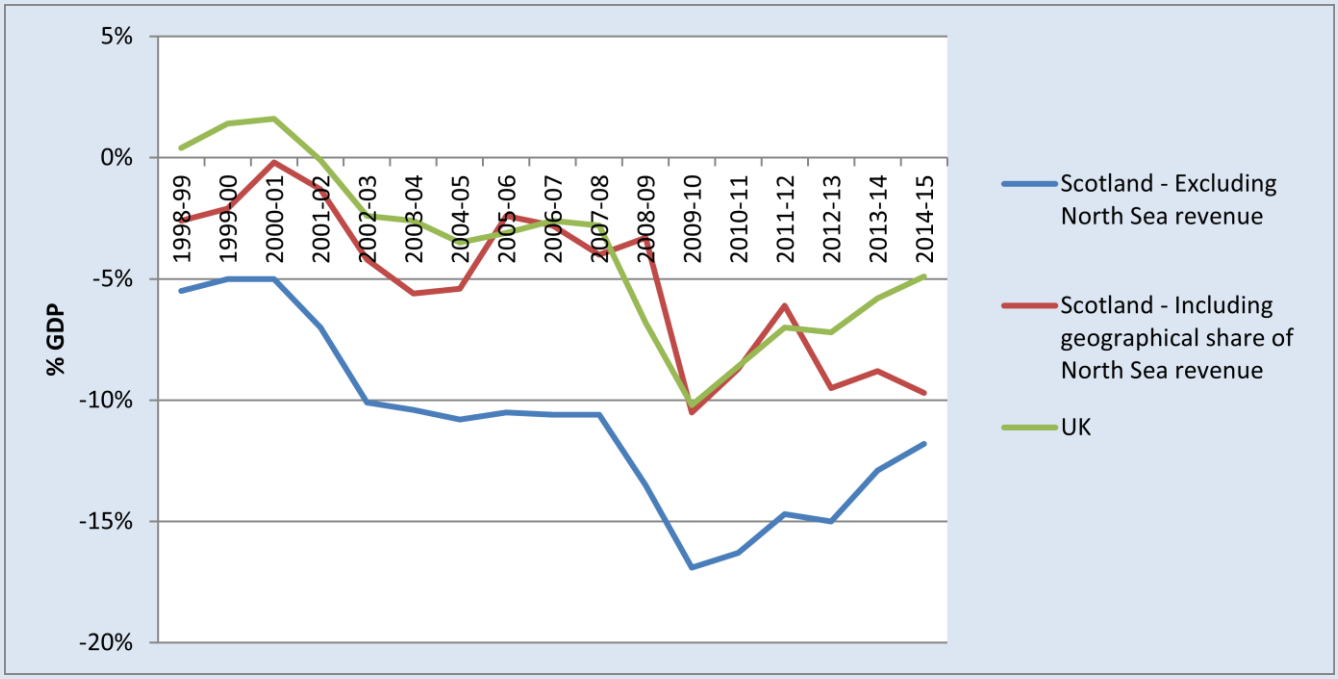
- The net fiscal balance measures the difference between total public sector expenditure and public sector revenue. It therefore includes public sector capital investment, such as the construction of roads, hospitals, and schools, which yields benefits not just to current taxpayers but also to future taxpayers. It is shown in Table E.6 below.

Table E.6: Net Fiscal Balance: Scotland and UK 2010-11 to 2014-15					
	(£ million)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Scotland - Excluding North Sea	-20,175	-18,879	-19,470	-17,431	-16,738
Scotland - Including North Sea (geographical share)	-12,710	-9,247	-14,181	-13,432	-14,934
UK	*-134,757*	*-113,518*	*-119,567*	*-100,889*	*-89,101*
	As % of GDP				
Scotland - Excluding North Sea	-16.3%	-14.7%	-15.0%	-12.9%	-11.9%
Scotland - Including North Sea (geographical share)	-8.7%	-6.1%	-9.5%	-8.8%	-9.7%
UK	*-8.6%*	*-7.0%*	*-7.2%*	*-5.8%*	*-4.9%*

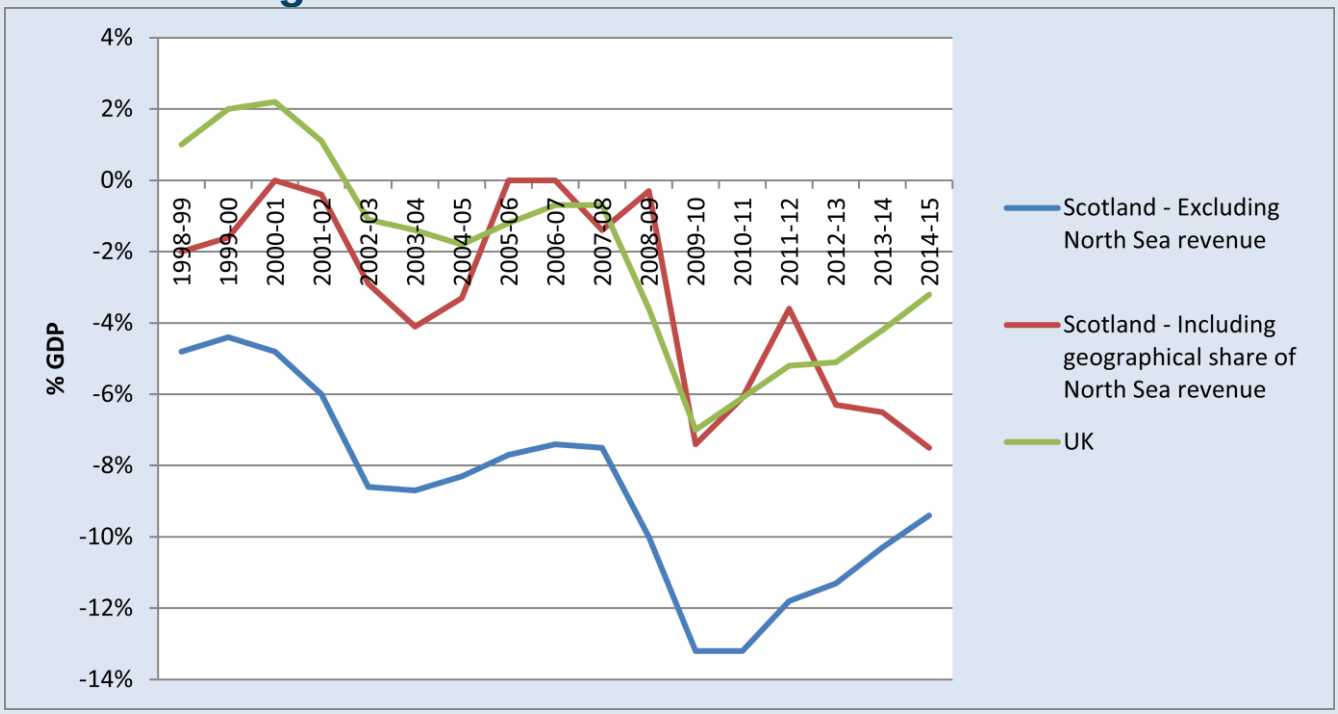
- The net fiscal balance tends to move in the same way as the current budget balance, but is approximately 2 percentage points larger when expressed as a share of GDP. This reflects the fact that capital spending is relatively stable as a share of total spending over time.
- However, the net fiscal balance for the UK worsens from 2011-12 into 2012-13, whilst the current budget balance improves. The same is true for Scotland excluding the North Sea. This reflects the one-off increase in capital spending associated with the Royal Mail Pension Plan discussed above.
- The charts overleaf show the estimates of the current budget balance and net fiscal balance for Scotland and the UK since 1998-99.
- In order to aid user understanding of the GERS results, the database which underpins the expenditure tables in this publication is available on the GERS website.
- Users may wish to be aware that the Office for National Statistics is currently consulting on whether there is demand for a public sector finances publication for the Countries and Regions of the UK. The consultation is available at:

  https://www.ons.gov.uk/aboutus/whatwedo/statistics/consultationsandsurveys/allconsultationsandsurveys/consultationoncountryandregionalpublicsectorfinances

Net Fiscal Balance: Scotland & UK 1998-99 to 2014-15



Current Budget Balance: Scotland & UK 1998-99 to 2014-15



PREFACE

This report is the twenty-second in the series of official published estimates of expenditure and revenue balances of the public sector in Scotland.

GERS is classified as National Statistics and produced in accordance with the principles of the Code of Practice for Official Statistics. More information about National Statistics, including the latest assessment report on GERS (number 274), is available on the UK Statistics Authority website.[1]

The GERS content and methodology is continually reviewed in conjunction with users. The latest consultation about this edition of GERS was carried out between November 2015 and January 2016. A summary of responses was published in February 2016.[2]

Feedback from users of the publication is welcome. A correspondence address is available in the back leaf of the publication. Comments can be emailed to: economic.statistics@gov.scot

What Questions Does GERS Address?

GERS addresses three questions about Scotland's public sector accounts for a given year:

1. What revenues were raised in Scotland?
2. How much did the country pay for the public services that were consumed?
3. To what extent did the revenues raised cover the costs of these public services?

Revenue

Public sector revenue is estimated where a financial burden is imposed on residents and enterprises *in* Scotland.

Under current UK budgetary accounting procedures, separate figures for each country and region of the UK are not available for most revenues. As a result, Scottish public sector revenue is estimated by considering each revenue stream separately. Where Scottish data are unavailable, GERS estimates revenue using a set of apportionment methodologies, refined over a number of years following consultation with and feedback from users.

The methodology note on the GERS website provides a detailed discussion of the methodologies and datasets used.[3]

[1] http://www.statisticsauthority.gov.uk/

[2] http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/GERSConsultation2015

[3] http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/Methodology

Expenditure

Public sector expenditure is estimated on the basis of spending incurred *for* the benefit of residents of Scotland. That is, a particular public sector expenditure is apportioned to a region if the benefit of the expenditure is thought to accrue to residents of that region.

This is a different measure from total public expenditure *in* Scotland. For most expenditure, spending *for* or *in* Scotland will be similar. For example, the vast majority of health expenditure by NHS Scotland occurs *in* Scotland and is *for* patients resident in Scotland. Therefore, the *in* and *for* approaches should yield virtually identical assessments of expenditure. However, for expenditure where the final impact is more widespread, such as defence, an assessment of 'who benefits' depends upon the nature of the benefit being assessed. Where there are differences between the *for* and *in* approaches, GERS estimates Scottish expenditure using a set of apportionment methodologies, refined over a number of years following consultation with and feedback from users.

The *for* approach considers the location of the recipients of services or transfers that government expenditure finances, irrespective of where the expenditure takes place. For example, with respect to defence expenditure, as the service provided is a national 'public good', the *for* methodology operates on the premise that the entire UK population benefits from the provision of a national defence service. Accordingly, under the *for* methodology, national defence expenditure is apportioned across the UK on a population basis.

The methodology note on the GERS website provides a detailed discussion of the methodologies and datasets used to undertake this task.[4]

The Data Sources

The source of the revenue data in GERS is ONS's Public Sector Finances, which provides disaggregated figures relating to UK public sector revenue.[5]

The primary data source used to estimate Scottish public sector expenditure in GERS is the Country and Regional Analysis (CRA) data published by HM Treasury.[6]

GERS also makes use of the estimates of Scottish Gross Domestic Product (GDP) in current market prices published in the Quarterly National Accounts Scotland (QNAS).[7]

Additional Information on the GERS Website

The GERS website contains a number of additional analyses of Scotland's public sector finances. In addition to containing copies of the GERS report from 1990-91 onwards, the website also contains the tables underpinning this edition of GERS in Excel form and statistics providing a consistent time series of Scotland's public sector finances from 1998-99

[4] http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/Methodology

[5] The latest Public Sector Finances dataset is available from http://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/previousReleases. As this dataset is updated monthly and subject to minor revision, figures in future data releases may differ from those used in this report.

[6] https://www.gov.uk/government/statistics/country-and-regional-analysis-2015

[7] http://www.gov.scot/snap

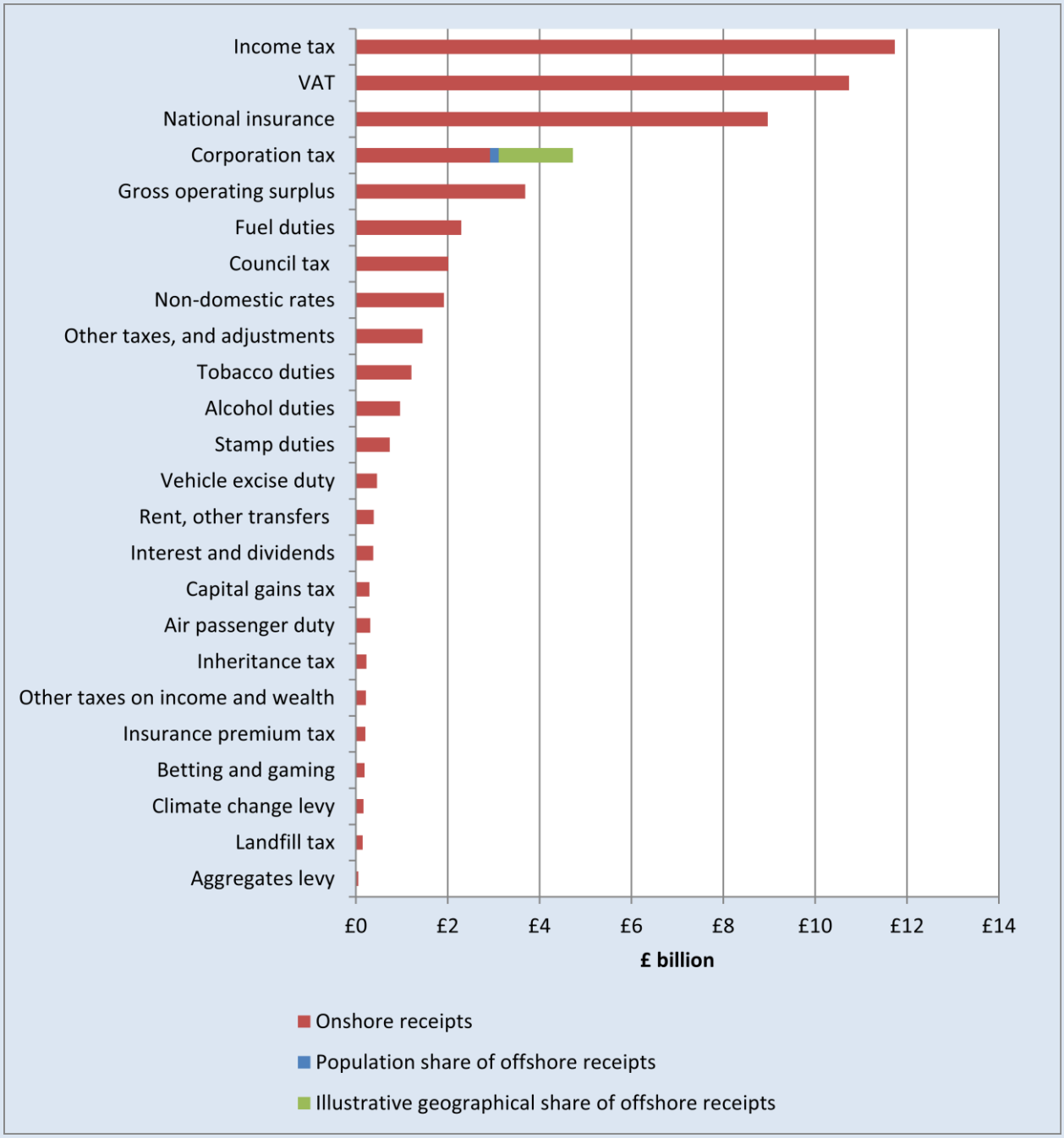
to 2014-15. A detailed database showing each individual spending line, and how they are adjusted from those published in the CRA, is also available for the last five years.

The Scottish Government, other devolved administrations, and HMRC are committed to working together to reconcile, and where possible, align methodologies for estimating receipts for the countries and regions of the UK. Further details on this work can be seen in Box 1.1 in Chapter 1.

The GERS website can be accessed via http://www.gov.scot/gers.

CHAPTER 1: PUBLIC SECTOR REVENUE

Total Public Sector Revenue: Scotland 2014-15



1 PUBLIC SECTOR REVENUE

Introduction

This chapter provides detailed estimates of Scottish public sector revenue.

The majority of public sector revenue payable by Scottish residents and enterprises is collected at the UK level. Generally it is not possible to identify separately the proportion of that revenue receivable from Scotland. GERS therefore uses a number of different methodologies to apportion revenue to Scotland. These methods are discussed in the methodology paper on the GERS website.[8]

Following the implementation of the Scotland Act 2012 and the recommendations of the Smith Commission, an increasing amount of revenue is set to be devolved to the Scottish Parliament, whereby direct Scottish measures of these revenues will be available. The first revenues which have been devolved are landfill tax and property transaction taxes, with Scottish revenue collected for these taxes from 2015-16 onwards. Revenues associated with these taxes are presented in Summary Table J of Quarterly National Accounts Scotland and will be presented in GERS 2015-16.[9] Supplementary tables in Annex A provide more information on current and proposed devolved taxes.

GERS uses a set of data sources and methodologies developed over a number of years following consultation with, and feedback from, users. In some cases, a variety of methodologies could be applied, each leading to different estimates of public sector revenue in Scotland. As discussed in the Preface, HMRC publish estimates of the taxes they collect for the four countries in the UK. Box 1.1 compares the HMRC estimates for Scotland with those in this publication.

Estimated Revenue 2014-15

Table 1.1 highlights estimated public sector revenue in Scotland and the outturn data for the UK in 2014-15. The contribution of each element of revenue to the Scottish total, and the proportion of UK revenue raised in Scotland, are also included in the table.

On the basis of the assumptions and methodologies described in this report, total public sector non-North Sea current revenue in Scotland was estimated to be £51.6 billion in 2014-15. This is equivalent to 8.0% of UK total non-North Sea current revenue which is broadly in line with Scotland's share of the UK population.[10] In general, Scotland's share of most large revenues is close to either its population or GVA share. However, there are some exceptions to this, discussed below.

Gross operating surplus (GOS) is the operating (or trading) surpluses (or losses) of public bodies. It was the fourth largest revenue source in Scotland during 2014-15, and Scotland is

[8] http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS

[9] http://www.gov.scot/Topics/Statistics/Browse/Economy/SNAP/QNAS

[10] Scotland's share of the UK population in 2014-15 was 8.3%. Scotland's share of UK less extra-regio GVA was 7.6% (National Records of Scotland (NRS), Quarterly National Accounts Scotland and UK Economic Accounts).

estimated to generate approximately 9.8% of UK GOS. Scotland's relatively large share of UK GOS is primarily due to Scottish Water, which is a large contributor to UK public corporations' GOS. The equivalent water companies in England and Wales are outside the public sector and hence do not contribute to UK GOS.[11]

Table 1.1: Current Revenue: Scotland and UK 2014-15

	Scotland		UK	Scotland as % of UK
	£million	% of total non-North Sea revenue	£ million	
Income tax	11,735	22.7%	162,342	7.2%
Corporation tax (excluding North Sea)	2,920	5.7%	39,987	7.3%
Capital gains tax	293	0.6%	5,559	5.3%
Other taxes on income and wealth	215	0.4%	2,654	8.1%
National insurance contributions	8,969	17.4%	110,260	8.1%
VAT	10,734	20.8%	124,846	8.6%
Fuel duties	2,294	4.4%	27,155	8.4%
Stamp duties	735	1.4%	13,779	5.3%
Tobacco duties	1,211	2.3%	9,251	13.1%
Alcohol duties	961	1.9%	10,449	9.2%
Betting and gaming duties	185	0.4%	1,776	10.4%
Air passenger duty	309	0.6%	3,205	9.7%
Insurance premium tax	206	0.4%	2,973	6.9%
Landfill tax	147	0.3%	1,125	13.0%
Climate change levy	163	0.3%	1,626	10.0%
Aggregates levy	54	0.1%	357	15.1%
Inheritance tax	229	0.4%	3,879	5.9%
Vehicle excise duty	456	0.9%	5,910	7.7%
Non-domestic rates[1]	1,915	3.7%	26,161	7.3%
Council tax	2,008	3.9%	28,304	7.1%
Other taxes, royalties and adjustments[2]	1,451	2.8%	16,322	8.9%
Interest and dividends	374	0.7%	5,761	6.5%
Gross operating surplus	3,685	7.1%	37,693	9.8%
Rent and other current transfers	390	0.8%	4,390	8.8%
Total current revenue (excluding North Sea revenue)	**51,639**	**100.0%**	**645,764**	**8.0%**
North Sea Revenue				
Population share	187		2,254	8.3%
Geographical share	1,804		2,254	80.0%
Total current revenue (including North Sea revenue)				
Population share	**51,826**		**648,018**	**8.0%**
Geographical share	**53,443**		**648,018**	**8.2%**

1. Excludes non-domestic rates that local authorities pay themselves.

2. This group includes some 11 separate revenues (as set out in the detailed methodology paper on the GERS website). The largest revenue is from Renewable Energy Obligation certificates, which is an imputed tax from electricity suppliers. This accounted for an estimated £364 million of the revenue. It is also included as an imputed expenditure, and so has no impact on the current budget or net fiscal balances for Scotland. This group also includes TV Licences and National Lottery Distribution Fund revenue, which together account for a further £460 million of this estimate for Scotland. It also contains a small accounting adjustment to align the revenue estimates to those in the January 2016 UK Public Sector Finances Statistical Bulletin. This adjustment is apportioned to Scotland on a population share basis.

[11] A more detailed discussion of GOS is provided in the detailed revenue methodology paper on the GERS website.

Revenues where Scotland's share of UK revenue is relatively low are those associated with property or assets, such as stamp duties, capital gains tax, and inheritance tax. This reflects the fact that properties and assets in Scotland tend to have lower prices than the UK average.

Scotland tends to have relatively high shares of duties associated with tobacco and alcohol. This reflects the greater incidence of smoking in Scotland,[12] and also the fact that Scotland has higher consumption of spirits than the rest of the UK.[13]

Note that, for most consumption taxes, Scotland's estimated share of UK revenue is based upon data relating to UK residents. This is because there is a lack of data on taxes paid by tourists. As such, GERS assigns Scotland a share of consumption receipts from tourists, in proportion to Scotland's share of UK domestic household consumption.

Table A.12 in Annex A provides analysis of the confidence intervals around revenue estimates based on survey data.

Table 1.2: Non-North Sea Current Revenue: Scotland as share of UK

	(per cent of UK revenue)				
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Income Tax	7.2%	7.4%	7.3%	7.2%	7.2%
Corporation tax (excl North Sea)	7.4%	7.3%	7.3%	7.2%	7.3%
National insurance contributions	8.2%	8.1%	8.1%	8.1%	8.1%
VAT	8.5%	8.5%	8.5%	8.6%	8.6%
Local authority revenue	7.4%	7.4%	7.4%	7.1%	7.1%
All other revenue	8.8%	8.8%	8.8%	8.7%	8.5%
Total current non-North Sea revenue	**8.1%**	**8.1%**	**8.1%**	**8.1%**	**8.0%**

Box 1.1: Comparison between GERS and HMRC estimates

Any analysis of public sector receipts in Scotland relies on estimation, and as such alternative estimates are possible. As discussed in the Preface, GERS estimates revenue using a set of apportionment methodologies, refined over a number of years following consultation with and feedback from users.

Further work in this area is also being undertaken by the Office for National Statistics, which is currently consulting on the production of estimates of public sector revenue for each of the Countries and Regions of the UK as part of wider work on public sector finances. The consultation is available at https://www.ons.gov.uk/aboutus/whatwedo/statistics/consultationsandsurveys/allconsultationsandsurveys/consultationoncountryandregionalpublicsectorfinances

Since 2013, HMRC have published estimates of the breakdown of taxes they collect in the four countries of the UK. The latest set of estimates for 2014-15 were published in October 2015.

[12] http://www.ons.gov.uk/ons/rel/ghs/opinions-and-lifestyle-survey/adult-smoking-habits-in-great-britain--2013/stb-opn-smoking-2013.html

[13] https://www.gov.uk/government/statistics/family-food-2014

In most cases, the estimates in GERS and the HMRC publication are very similar. For some taxes, there are definitional differences which mean that the figures in the two publications should not be directly compared. For example, within GERS gross VAT receipts are shown before the deduction of government VAT refunds, whilst HMRC figures present net VAT receipts after the deduction of VAT refunds. For other taxes, notably revenues from oil and gas production, there are methodological differences between the two publications.

HMRC and the devolved administrations are working together to reconcile, and where possible, align methodologies for estimating tax receipts for the UK countries and regions. Estimates of VAT and corporation tax have been more closely aligned in this year's GERS publication. While some differences remain, the aim is to ensure a clear understanding of the reasons for any differences and highlight these to users and the impact that this may have on any results.

The table below compares the estimates in GERS with those implied by the HMRC publication, both in cash terms and as a share of GDP. In 2013-14 and 2014-15, the difference in onshore revenue is almost entirely due to differences in estimates of VAT. This difference arises from GERS having incorporated the 2013 data from Family Spending published in December 2015, which showed an increase in Scotland's share of UK household spending, and which was not available to HMRC for their October publication.

Estimates of Total Scottish Revenues 2010-11 to 2014-15

	£ million				
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Cash estimates: onshore revenues					
GERS	45,530	47,246	48,276	50,051	51,639
HMRC [1]	45,810	47,091	48,050	49,865	51,384
Difference	**-280**	**155**	**226**	**185**	**255**
Difference (% GDP)	**-0.2%**	**0.1%**	**0.2%**	**0.1%**	**0.2%**
Cash estimates: geographical share of North Sea revenues					
GERS	7,466	9,633	5,289	3,999	1,804
HMRC[1]	7,202	9,055	4,872	3,793	1,679
Difference	**263**	**578**	**417**	**206**	**125**
Difference (% GDP)	**0.2%**	**0.4%**	**0.3%**	**0.1%**	**0.1%**
Share of UK total: onshore revenues					
GERS	8.1%	8.1%	8.1%	8.1%	8.0%
HMRC[1]	8.1%	8.1%	8.1%	8.0%	8.0%
Difference (% point)	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Share of UK total: geographical share of North Sea revenues					
GERS	88.9%	87.9%	85.1%	84.0%	80.0%
HMRC	85.7%	82.6%	78.4%	79.6%	74.5%
Difference (% point)	**3.1%**	**5.3%**	**6.7%**	**4.3%**	**5.5%**

[1] For revenues not estimated by HMRC, the GERS estimate has been included in the HMRC figure to allow the totals to be comparable

Further information on the HMRC results and methodology is available at:
https://www.gov.uk/government/publications/disaggregation-of-hmrc-tax-receipts

Estimated Revenue: Scotland and the UK, 2010-11 to 2014-15

Table 1.4 overleaf shows estimated current revenue in Scotland and the UK between 2010-11 and 2014-15. Current non-North Sea revenue in Scotland is estimated to have grown by 13.4% between 2010-11 and 2014-15 in nominal terms, less than for the UK as a whole (14.3%). This primarily reflects the fact that capital gains tax, stamp duties, and inheritance tax have grown more slowly in Scotland than in the UK. In general, revenue in Scotland would be expected to grow more slowly than in the UK as Scotland's population, and therefore tax base, has been growing more slowly.

Table 1.3 shows estimates of revenue per person for Scotland and the UK between 2010-11 and 2014-15. Excluding North Sea revenue, revenue per person in Scotland is lower than in the UK by approximately £200 to £400 per year. Including an illustrative geographical share of North Sea revenue, revenue per person in Scotland is slightly lower than the UK average in 2014-15, but with the difference not notable when rounded to the nearest £100. In earlier years, Scottish revenue per person including North Sea revenue has been higher than in the UK as a whole, with the difference being quite variable.

Table 1.3: Current Revenue Per Person: Scotland and UK 2010-11 to 2014-15

	2010-11	2011-12	2012-13	2013-14	2014-15
Scotland					
Excluding North Sea revenue	8,600	8,900	9,100	9,400	9,600
Including North Sea revenue (population share)	8,800	9,100	9,200	9,500	9,700
Including North Sea revenue (geographical share)	10,100	10,700	10,100	10,100	10,000
UK					
Excluding North Sea revenue	9,000	9,200	9,300	9,700	10,000
Including North Sea revenue	9,100	9,400	9,400	9,700	10,000
Difference (Scotland minus UK)					
Excluding North Sea revenue	-400	-300	-200	-300	-400
Including North Sea revenue (population share)	-300	-300	-200	-200	-300
Including North Sea revenue (geographical share)	1,000	1,300	700	400	0

[1] Figures rounded to nearest £100

Table 1.4: Current Revenue: Scotland and UK 2010-11 to 2014-15

	(£ million)									
	Scotland					UK				
	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15
Income tax	11,012	11,127	11,022	11,277	11,735	152,167	151,262	150,713	156,009	162,342
Corporation tax (excluding North Sea)	2,598	2,424	2,551	2,566	2,920	35,134	33,207	34,958	35,651	39,987
Capital gains tax	201	277	321	240	293	3,590	4,336	3,926	3,907	5,559
Other taxes on income and wealth	337	238	253	329	215	6,050	2,901	3,121	4,119	2,654
National insurance contributions	7,968	8,270	8,501	8,730	8,969	97,747	101,597	104,483	107,306	110,260
VAT	8,507	9,517	9,754	10,368	10,734	99,523	112,067	114,465	120,215	124,846
Fuel duties	2,304	2,259	2,240	2,271	2,294	27,256	26,798	26,571	26,881	27,155
Stamp duties	577	511	464	662	735	8,931	8,919	9,140	12,481	13,779
Tobacco duties	1,058	1,208	1,278	1,242	1,211	9,305	9,878	9,590	9,556	9,251
Alcohol duties	913	969	946	972	961	9,434	10,180	10,139	10,308	10,449
Betting and gaming duties	98	122	122	173	185	1,069	1,221	1,228	1,645	1,776
Air passenger duty	185	228	243	273	309	2,183	2,637	2,818	3,003	3,205
Insurance premium tax	174	204	202	211	206	2,509	3,002	3,033	3,018	2,973
Landfill tax	129	131	139	150	147	1,094	1,075	1,116	1,179	1,125
Climate change levy	61	63	61	117	163	660	678	663	1,200	1,626
Aggregates levy	55	48	43	43	54	294	283	261	294	357
Inheritance tax	175	170	175	210	229	2,722	2,955	3,150	3,541	3,879
Vehicle excise duty	470	477	481	488	456	5,789	5,930	6,003	6,121	5,910
Non-domestic rates	1,863	1,954	1,930	1,927	1,915	22,664	23,934	25,031	25,756	26,161
Council tax	1,904	1,917	1,935	1,957	2,008	25,706	25,925	26,285	27,533	28,304
Other taxes, royalties and adjustments	874	1,033	1,182	1,305	1,451	9,668	11,911	13,556	14,492	16,322
Interest and dividends	419	444	416	404	374	5,163	5,611	5,446	5,664	5,761
Gross operating surplus	3,522	3,532	3,705	3,846	3,685	34,673	35,455	36,968	37,643	37,693
Rent and other current transfers	124	124	309	288	390	1,501	1,505	3,635	3,331	4,390
Total current revenue (excluding North Sea revenue)	**45,530**	**47,246**	**48,276**	**50,051**	**51,639**	**564,832**	**583,267**	**596,299**	**620,853**	**645,764**
North Sea revenue										
Population share	704	917	518	395	187	8,402	10,957	6,215	4,764	2,254
Geographical share	7,466	9,633	5,289	3,999	1,804	8,402	10,957	6,215	4,764	2,254
Total current revenue (including North Sea revenue)										
Population share	**46,234**	**48,162**	**48,794**	**50,446**	**51,826**	**573,234**	**594,224**	**602,514**	**625,617**	**648,018**
Geographical share	**52,996**	**56,878**	**53,565**	**54,050**	**53,443**	**573,234**	**594,224**	**602,514**	**625,617**	**648,018**

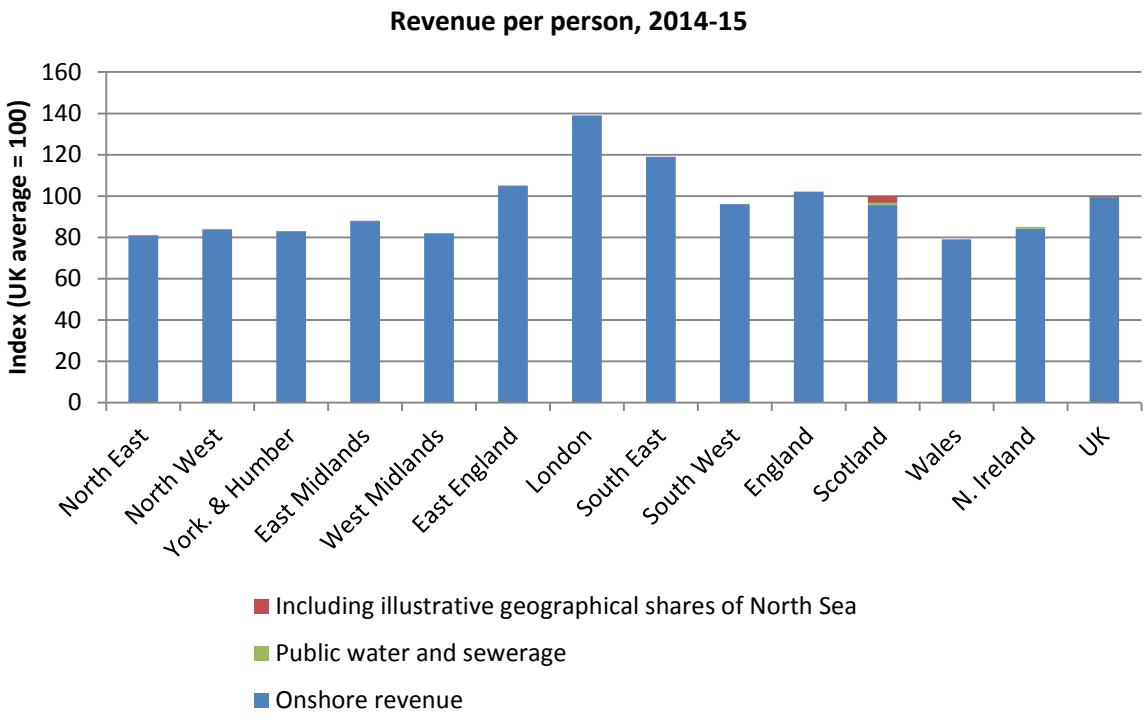
Box 1.2: Comparison of Scottish revenue estimates with other parts of the UK (Experimental Statistics)

The chart below provides experimental estimates of public sector receipts for each of the UK countries and regions using the GERS methodology. Full details of the methodology is available on the GERS website:
http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/RelatedAreas

We welcome user feedback about this analysis, including comments on the methods used. Please feedback to economic.statistics@gov.scot.

The chart below shows estimates of public sector revenue per person for each of the UK countries and regions relative to the UK average. Scotland is estimated to raise the joint fourth most onshore revenue per person of the UK countries and regions. When an illustrative geographical share of North Sea revenue is included, revenue per person in Scotland is estimated to be the fourth highest of the UK countries and regions, behind London, the South East, and East England. Scotland and Northern Ireland have some revenue associated with the gross operating surpluses of their public sector water and sewerage bodies.

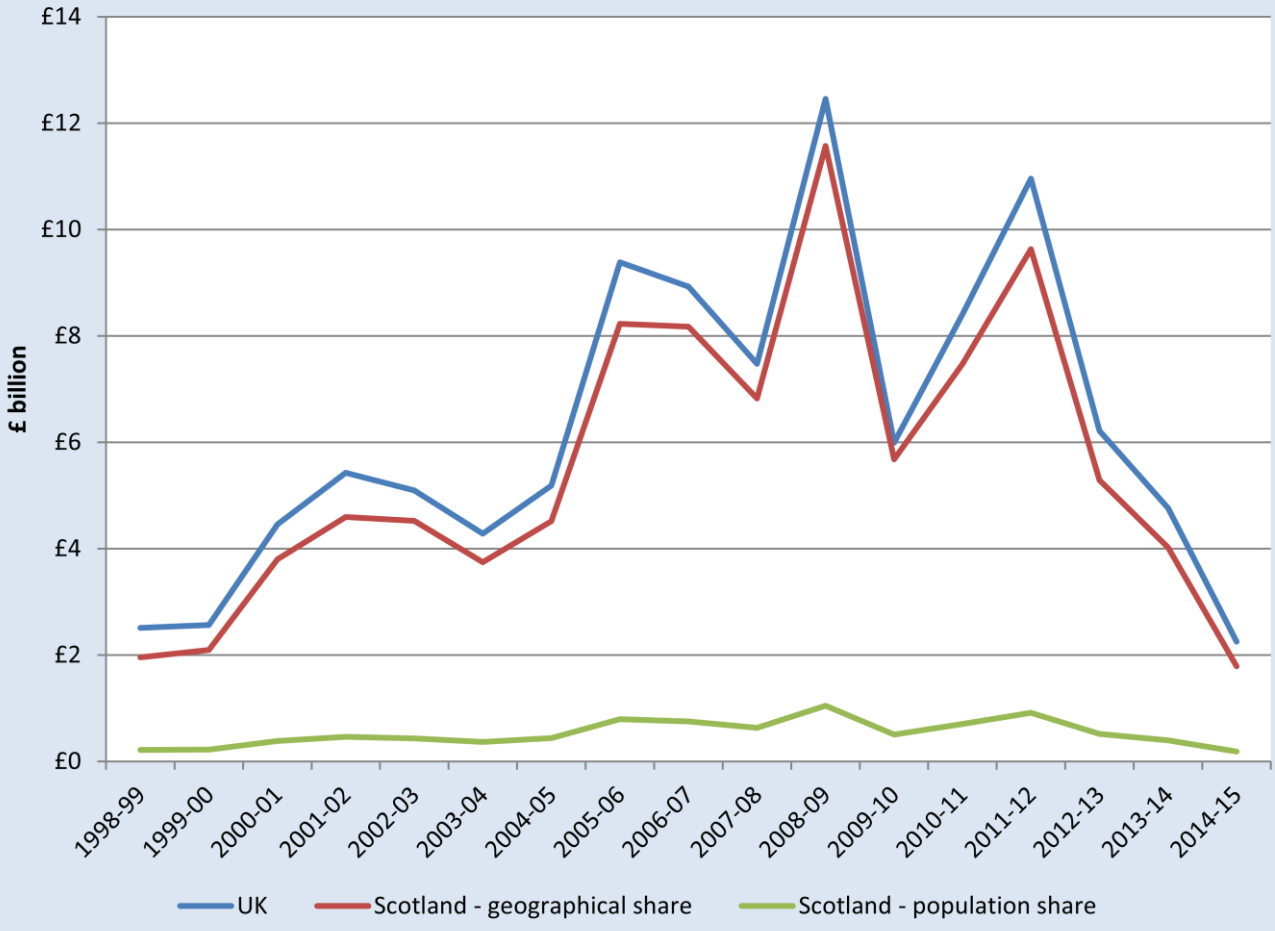
The ONS is currently consulting on the production of Public Sector Finance statistics for the Countries and Regions of the UK. The consultation is available at
https://www.ons.gov.uk/aboutus/whatwedo/statistics/consultationsandsurveys/allconsultationsandsurveys/consultationoncountryandregionalpublicsectorfinances



Note: Relative revenue per person when a population share of the North Sea is assigned to each country and region is the same as onshore revenue.

CHAPTER 2: NORTH SEA REVENUE

North Sea Revenue: 1998-99 to 2014-15



2 NORTH SEA REVENUE

North Sea revenue in GERS comes from four sources: petroleum revenue tax, corporation tax, licence fees, and the emissions trading scheme.

Table 2.1 shows the levels of revenue raised from each component of North Sea revenue since 2010-11. UK North Sea revenue was £8.4 billion in 2010-11 and reached £11.0 billion in 2011-12, but has been declining since, due to declining production, rising expenditure, and, in 2014-15, falling oil prices.

North Sea revenue is subject to annual fluctuations and is driven by a number of factors, including the oil price, the sterling dollar exchange rate, production, operating expenditure, capital investment, and the prevailing fiscal regime. Most of these factors have been acting to reduce revenue in recent years. In 2014-15, production remained broadly flat compared to 2013-14, but operating costs rose approximately 9% and capital investment remained at historic highs. Prices began to fall in the second half of 2014, from a peak of $110 a barrel in June 2015 to $58 a barrel in the first half of 2015. Finally, the supplementary charge on companies' ring fenced profits was reduced from 32% to 20% from January 2015.

Estimates of the share of UK emissions trading scheme revenue arising in the North Sea are produced by the Scottish Government based on UK permit data received from the Scottish Environment Protection Agency.

Table 2.1: Composition of North Sea Revenue: UK 2010-11 to 2014-15

	(£ million)				
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Licence fees	69	67	69	71	72
North Sea corporation tax	6,864	8,840	4,393	3,556	2,073
Petroleum revenue tax	1,458	2,032	1,737	1,118	77
Emissions trading scheme revenues	11	18	16	19	32
Total	8,402	10,957	6,215	4,764	2,254

Scotland's Share of North Sea Revenue

In the ONS Regional Accounts, the UK Continental Shelf (UKCS) is included as a separate region of the UK (the extra-regio territory) and not allocated to specific geographic regions within the UK mainland. As such, an assumption as to Scotland's share of the North Sea needs to be made in GERS.

Three estimates of Scotland's share of North Sea revenue are adopted in the GERS report:

1. Zero share
2. A population share
3. An illustrative geographical share

As the situation under option 1 is the same as the revenue estimates for all non-North Sea revenues, the discussion below focuses on population and geographical shares.

Population Share

One interpretation of North Sea revenue is to view it as a non-identifiable UK revenue, in which case a population share may be apportioned to Scotland. Table 2.2 provides an estimate of Scotland's share of North Sea revenue under this approach.

Table 2.2: Population Share of North Sea Revenue: Scotland

	(£ million)				
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Total North Sea revenue	8,402	10,957	6,215	4,764	2,254
Scotland's population share	704	917	518	395	187
Scotland's share of North Sea revenue (%)	**8.4%**	**8.4%**	**8.3%**	**8.3%**	**8.3%**

An Illustrative Geographical Share

An alternative approach is to apportion a geographical share of North Sea revenue to Scotland. In order to estimate this share, GERS draws upon academic research carried out by Professor Alex Kemp and Linda Stephen from the University of Aberdeen. Professor Kemp is Professor of Petroleum Economics and Director of Aberdeen Centre for Research in Energy Economics and Finance (ACREEF) at the University of Aberdeen. Professor Kemp and Linda Stephen have published extensively on licensing and taxation issues on the UK Continental Shelf (UKCS). Professor Kemp is the author of "The Official History of North Sea Oil and Gas", and is considered to be a leading expert in UK petroleum economics.

The model used by the researchers to estimate Scotland's illustrative geographical share of North Sea activity was first detailed in a North Sea Study Occasional paper published by the University of Aberdeen in 1999.[14] The researchers base the Scottish boundary of the UKCS on the median line principle as employed in 1999 to determine the boundary between Scotland and the rest of the UK for fishery demarcation purposes. Other alternatives are possible. UKCS production, costs and revenue is allocated on a field by field basis to either the rest of the UK or Scotland using this boundary.

Further detail on the methodology used to estimate Scotland's illustrative geographical share of North Sea receipts is available at:
http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/Methodology

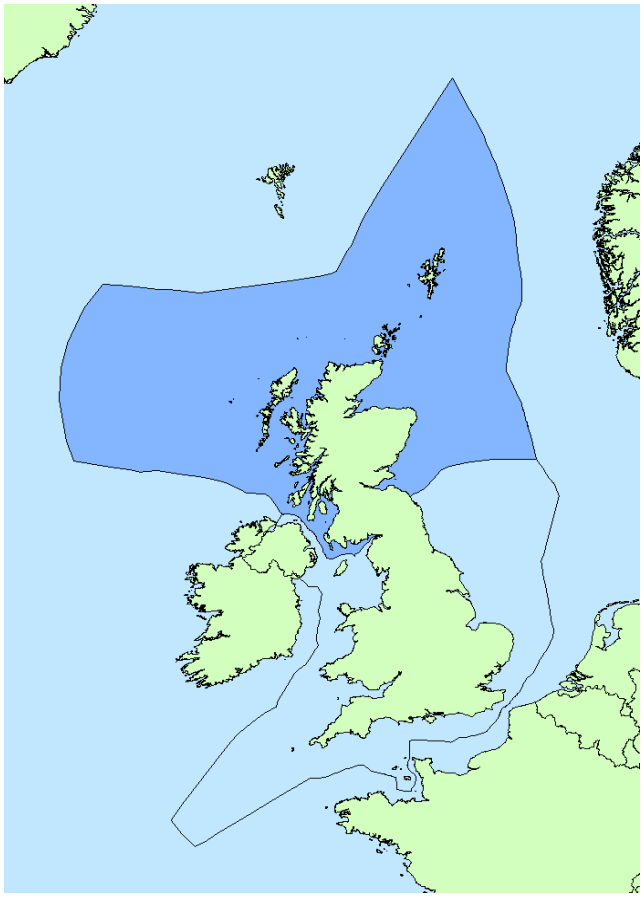
Table 2.3 shows Scotland's illustrative geographical share of UK North Sea revenue. The share fell in 2014-15, despite Scotland's share of total hydrocarbon production staying broadly constant. This is because the increase in UKCS capital expenditure was concentrated within the Scottish share of the North Sea. This higher level of investment reduces the estimated share of Scottish tax liabilities.

[14] http://aura.abdn.ac.uk/bitstream/2164/2956/1/Kemp_70.pdf

Table 2.3: Geographical Share of North Sea Revenue: Scotland 2010-11 to 2014-15					
	(£ million)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Total North Sea revenue	8,402	10,957	6,215	4,764	2,254
Scotland's geographical share	7,466	9,633	5,289	3,999	1,804
Scotland's percentage share of North Sea revenue	**88.9%**	**87.9%**	**85.1%**	**84.0%**	**80.0%**

Scotland's estimated geographical share of the North Sea sector, used in this report, is highlighted in the figure below. Demarcation by the median line is highlighted by the dark shaded area.

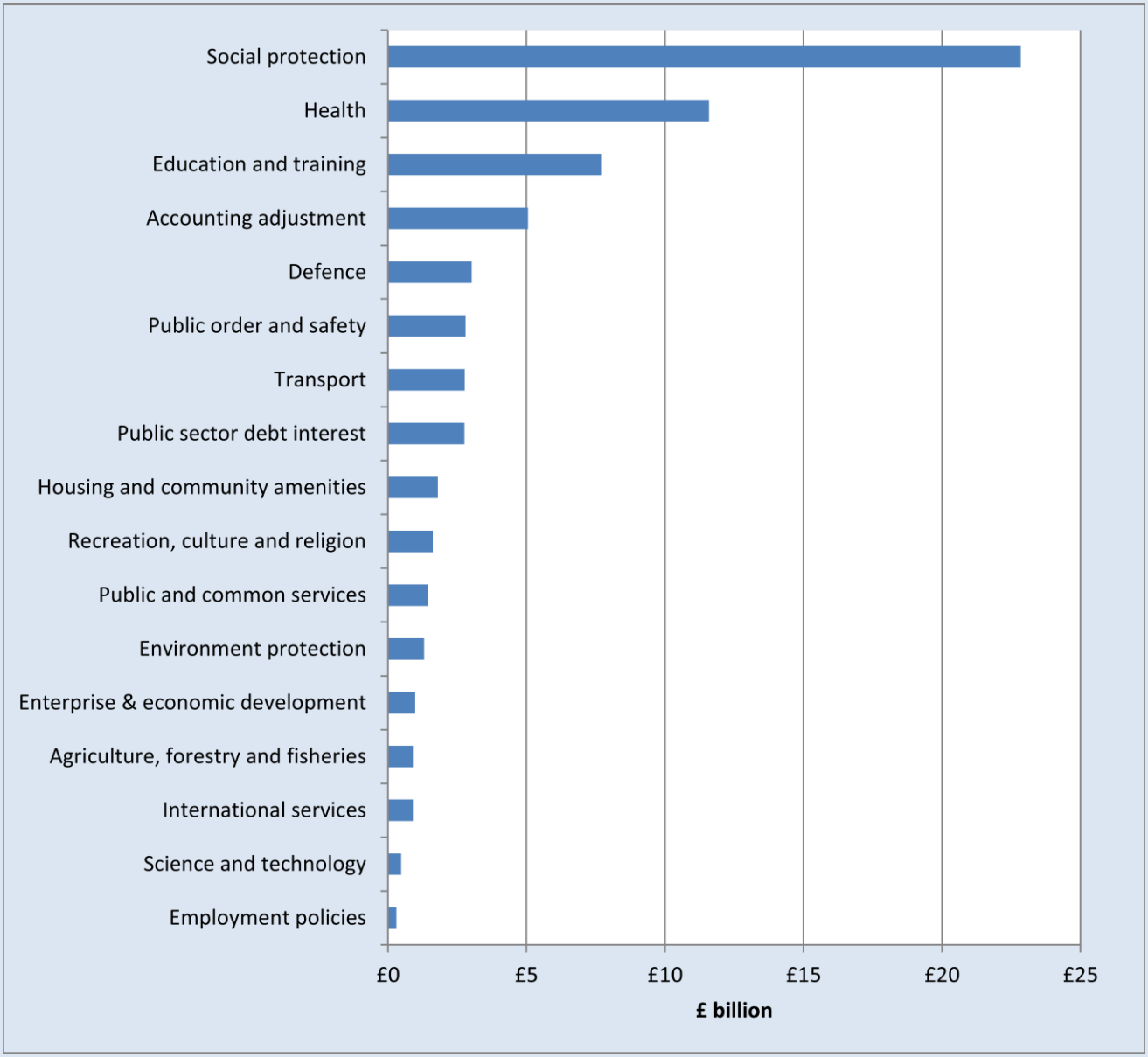
UK Continental Shelf and Scottish Boundary



Source: Scottish Government Marine Directorate

CHAPTER 3: PUBLIC SECTOR EXPENDITURE

Total Public Sector Expenditure: Scotland 2014-15



3 PUBLIC SECTOR EXPENDITURE

Introduction

This chapter provides detailed estimates of public sector expenditure for Scotland.

The primary data source used to estimate Scottish public sector expenditure is the November 2015 Country and Regional Analysis (CRA) published by HM Treasury.[15] In addition to this, data provided directly by HM Treasury is used to estimate a Scottish accounting adjustment. This adjustment is required to ensure the estimates of total public spending in GERS measure Total Managed Expenditure, the headline measure of aggregate public spending in the UK Public Sector Finances (see page 37 in Annex A). For total expenditure and each expenditure component, a detailed breakdown according to current and capital is provided.

Public Sector Expenditure

Total public sector expenditure for Scotland in 2014-15 is estimated to be £68.4 billion. This is shown by spending category in Table 3.1. This was equivalent to 9.3% of comparable total UK public sector expenditure, shown in Table 3.2. Social protection, which includes spending on social security benefits, was the largest Scottish expenditure programme. It is discussed in more detail in Box 3.1.

Table 3.1: Total Expenditure: Scotland 2014-15

	Scotland	
	£ million	% of total expenditure
General public services		
Public and common services	1,431	2.1%
International services	896	1.3%
Public sector debt interest	2,760	4.0%
Defence	3,019	4.4%
Public order and safety	2,803	4.1%
Economic affairs		
Enterprise and economic development	982	1.4%
Science and technology	477	0.7%
Employment policies	299	0.4%
Agriculture, forestry and fisheries	897	1.3%
Transport	2,773	4.1%
Environment protection	1,307	1.9%
Housing and community amenities	1,804	2.6%
Health	11,591	17.0%
Recreation, culture and religion	1,622	2.4%
Education and training	7,691	11.2%
Social protection	22,840	33.4%
Accounting adjustments	5,184	7.6%
Total Expenditure	**68,377**	**100%**

[15] https://www.gov.uk/government/publications/country-and-regional-analysis-2015. Users should note that the spending category, 'EU Transactions' published in the CRA is contained in the Accounting Adjustments spending category in GERS.

Total public sector expenditure for Scotland is estimated to have increased from £65.7 billion in 2010-11 to £68.4 billion in 2014-15, an increase of 4.1% in nominal terms. UK public expenditure grew at the same rate over the period.

Table 3.2: Total Current and Capital Expenditure: Scotland and UK

	(£ million)									
	Scotland					UK				
	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15
Current	58,357	58,802	59,447	60,313	61,237	635,892	643,983	652,535	663,349	670,834
Capital	7,348	7,323	8,299	7,169	7,140	72,099	63,759	69,546	63,157	66,285
Total	**65,705**	**66,125**	**67,746**	**67,482**	**68,377**	**707,991**	**707,742**	**722,081**	**726,506**	**737,119**

Table 3.3 shows the share of total expenditure between current and capital for Scotland. The capital spending share is generally around 11%, except in 2012-13 when there was a one-off increase in capital spend associated with the transfer of the Royal Mail Pension Plan.

Table 3.3: Current and Capital Expenditure (% of Total Expenditure): Scotland

	(£ million)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Current	88.8%	88.9%	87.8%	89.4%	89.6%
Capital	11.2%	11.1%	12.3%	10.6%	10.4%

The table below shows estimates of Scottish and UK public sector expenditure as a share of GDP. This provides an illustration of the relative size of public spending between countries and over time. It is not an estimate of the contribution of public spending to the economy as much of this spending consists of transfers from government to individuals and businesses.

Table 3.4: Total Managed Expenditure as a Share of GDP

	(per cent of GDP)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Scottish TME as a Share of GDP:					
Excluding North Sea GDP	53.1%	51.6%	52.0%	49.9%	48.6%
Including population share of North Sea GDP	52.1%	50.7%	51.2%	49.2%	48.1%
Including geographical share of North Sea GDP	44.7%	43.6%	45.3%	44.0%	44.6%
UK TME as a share of GDP:					
100% of North Sea GDP	45.0%	43.4%	43.0%	41.4%	40.3%

Table 3.5 shows estimated total public sector expenditure for Scotland and the UK per person. Since 2010-11, spending per head in Scotland has been between 10.6% and 12.4% higher than the UK average. Slightly less than one percentage point of this difference is due to water and sewerage services being provided by the public sector in Scotland, and therefore included in Scottish expenditure, whilst in England and Wales they are operated by the private sector and therefore excluded from UK expenditure. Tables 3.6 and 3.7 show current, capital, and total expenditure for Scotland and the UK respectively.

Table 3.5: Total Expenditure Per Person (£ per person, rounded to nearest £100)

	2010-11	2011-12	2012-13	2013-14	2014-15
Scotland	12,500	12,500	12,700	12,700	12,800
UK	11,300	11,200	11,300	11,300	11,400
Difference (Scotland minus UK)	*1,200*	*1,300*	*1,400*	*1,400*	*1,400*
Relative Expenditure for Scotland (UK = 100)	*110.6*	*111.6*	*112.4*	*112.4*	*112.3*

Table 3.6: Total Expenditure: Scotland

	£ million														
	Current					Capital					Total				
	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15
General public services															
Public and common services	1,410	1,289	1,151	1,272	1,254	222	175	142	195	177	1,632	1,465	1,293	1,466	1,431
International services	608	616	617	786	720	62	50	46	52	177	670	666	663	838	896
Public sector debt interest	3,372	3,520	3,146	3,071	2,760	0	0	0	0	0	3,372	3,520	3,146	3,071	2,760
Defence	2,727	2,755	2,547	2,533	2,518	565	479	480	487	501	3,292	3,234	3,027	3,020	3,019
Public order and safety	2,579	2,666	2,652	2,413	2,683	261	216	204	139	120	2,840	2,883	2,857	2,552	2,803
Economic affairs															
Enterprise and economic development	456	592	697	804	775	276	250	245	196	207	732	842	942	1,000	982
Science and technology	0	0	0	0	0	334	367	354	415	477	334	367	354	415	477
Employment policies	427	281	244	320	296	9	8	7	7	3	436	289	251	327	299
Agriculture, forestry and fisheries	795	826	770	795	747	152	146	152	168	150	947	972	922	962	897
Transport	1,570	1,456	1,545	1,566	1,337	1,191	1,265	1,428	1,354	1,436	2,760	2,721	2,973	2,920	2,773
Environment protection	950	922	888	909	964	269	234	298	363	343	1,219	1,156	1,186	1,271	1,307
Housing and community amenities	292	215	73	120	191	1,456	1,510	1,548	1,530	1,613	1,748	1,725	1,621	1,649	1,804
Health	10,360	10,599	10,770	10,987	11,271	591	514	569	513	320	10,951	11,113	11,339	11,501	11,591
Recreation, culture and religion	1,192	1,177	1,290	1,203	1,433	277	339	332	243	189	1,469	1,516	1,622	1,446	1,622
Education and training	7,055	6,769	6,991	6,928	7,080	601	688	656	636	610	7,656	7,457	7,647	7,563	7,691
Social protection	20,518	21,244	22,171	22,122	22,805	94	65	87	18	35	20,612	21,309	22,258	22,140	22,840
Accounting adjustments	4,046	3,874	3,896	4,485	4,403	988	1,018	1,749	853	781	5,033	4,891	5,645	5,338	5,184
Total	**58,357**	**58,802**	**59,447**	**60,313**	**61,237**	**7,348**	**7,323**	**8,299**	**7,169**	**7,140**	**65,705**	**66,125**	**67,746**	**67,482**	**68,377**

Table 3.7: Total Expenditure: UK 2010-11 to 2014-15

	£ million														
	Current					Capital					Total				
	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15
General public services															
Public and common services	10,959	10,127	9,752	9,607	10,399	1,658	1,123	1,276	1,389	1,332	12,617	11,250	11,028	10,996	11,731
International services	7,257	7,360	7,407	9,475	8,689	743	593	546	621	2,134	7,999	7,953	7,953	10,096	10,823
Public sector debt interest	40,227	42,065	37,746	36,999	33,328	0	0	0	0	0	40,227	42,065	37,746	36,999	33,328
Defence	32,549	32,950	30,586	30,543	30,430	6,738	5,711	5,767	5,867	6,054	39,287	38,661	36,354	36,410	36,484
Public order and safety	31,015	30,503	29,846	28,284	28,673	2,028	1,556	1,406	1,257	1,235	33,042	32,058	31,252	29,541	29,909
Economic affairs															
Enterprise and economic development	2,831	3,280	3,951	4,376	3,907	2,035	1,596	942	1,153	857	4,866	4,876	4,893	5,529	4,764
Science and technology	0	0	0	0	0	3,406	3,563	3,597	4,438	4,940	3,406	3,563	3,597	4,438	4,940
Employment policies	4,603	3,170	2,803	3,584	3,123	94	83	78	76	31	4,697	3,253	2,881	3,660	3,154
Agriculture, forestry and fisheries	5,173	5,544	5,010	5,000	4,697	329	269	306	408	474	5,502	5,813	5,316	5,407	5,171
Transport	8,814	8,254	7,712	7,692	6,866	12,679	11,693	10,938	11,342	13,770	21,492	19,947	18,650	19,034	20,636
Environment protection	7,780	7,834	7,380	7,519	8,030	3,158	2,612	3,205	3,472	3,652	10,938	10,446	10,585	10,992	11,681
Housing and community amenities	3,220	2,722	3,086	2,984	3,053	10,031	7,431	6,877	6,823	7,622	13,251	10,153	9,963	9,807	10,675
Health	114,465	117,005	119,496	123,632	129,556	5,389	4,249	4,782	5,698	4,569	119,854	121,254	124,278	129,330	134,125
Recreation, culture and religion	10,256	9,660	10,691	9,648	10,162	2,719	2,819	2,006	1,770	1,830	12,974	12,479	12,698	11,418	11,992
Education and training	82,371	79,089	80,554	82,245	78,154	9,150	7,798	6,642	7,254	6,251	91,521	86,887	87,196	89,499	84,405
Social protection	229,408	239,635	250,224	251,189	258,012	1,019	596	450	-402	-107	230,427	240,231	250,674	250,787	257,905
Accounting adjustments	44,964	44,786	46,291	50,574	53,756	10,925	12,066	20,727	11,990	11,640	55,890	56,852	67,018	62,563	65,396
Total	**635,892**	**643,983**	**652,535**	**663,349**	**670,834**	**72,099**	**63,759**	**69,546**	**63,157**	**66,285**	**707,991**	**707,742**	**722,081**	**726,506**	**737,119**

Box 3.1 Social protection spending in Scotland

Social protection spending is the largest single spending line in GERS, and covers a range of different spend types.

The largest spending element within social protection is expenditure on the state pension. This is followed by other social security benefits administered by the Department for Work and Pensions (DWP), such as jobseekers allowance and disability related benefits. Note that the measure of benefit spending in the table below does not include spending associated with the Scottish Welfare Fund, Council Tax Reduction Scheme, or elements of tax credits which are currently classed as accounting adjustments rather than social protection expenditure. If these were to be included, total benefit expenditure in Scotland in 2014-15 would be around £18.2 billion.

Some UK benefit expenditure, mostly associated with the state pension, is paid to non-UK residents. Scotland is allocated a population share of this expenditure in GERS.

Social protection spending for Scotland (£ million)

	2010-11	2011-12	2012-13	2013-14	2014-15
Benefit spending in Scotland					
State pension	5,976	6,328	6,791	7,051	7,324
Other DWP benefits	5,786	5,749	5,795	5,621	5,659
HMRC child benefit and tax credits	2,744	2,825	2,926	2,831	2,766
Housing benefit	1,661	1,728	1,789	1,770	1,776
Benefit spending in Scotland	**16,166**	**16,630**	**17,302**	**17,273**	**17,526**
Share of benefit spending outside UK and corporate spend	490	479	518	458	545
Other social protection					
Public sector pensions	452	732	866	881	961
Social care for the elderly	2,067	2,096	2,249	2,263	2,283
Other	1,438	1,372	1,323	1,265	1,525
Total social protection	**20,612**	**21,309**	**22,258**	**22,140**	**22,840**

Other spending consists primarily of Local Authority expenditure on social care to families and children.

A more detailed breakdown of social security spending is available in the detailed spending database available from the GERS website. In addition, DWP publish a high-level breakdown of their benefit spend, available at the link below. When comparing with the figures above, note that housing benefit is identified separately, as in GERS, and the CRA database, it is recorded as Local Government expenditure rather than DWP expenditure.

https://www.gov.uk/government/collections/benefit-expenditure-tables

Table 3.8 below provides a breakdown of Scottish expenditure by the Scottish Government, Local Authorities and Public Corporations and Other UK Government departments. The database used to produce the table is available on the GERS website.

Table 3.8: Total Expenditure: Scotland 2010-11 to 2014-15

	Scottish Government, LAs and Public Corporations					Other UK Government					Total				
	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15	2010-11	2011-12	2012-13	2013-14	2014-15
General public services															
Public and common services	1,149	990	856	1,018	952	483	474	437	449	479	1,632	1,465	1,293	1,466	1,431
International services	0	0	0	0	0	670	666	663	838	896	670	666	663	838	896
Public sector debt interest	0	0	0	0	0	3,372	3,520	3,146	3,071	2,760	3,372	3,520	3,146	3,071	2,760
Defence	5	3	3	3	3	3,287	3,230	3,024	3,017	3,016	3,292	3,234	3,027	3,020	3,019
Public order and safety	2,579	2,601	2,597	2,307	2,568	262	282	260	245	235	2,840	2,883	2,857	2,552	2,803
Economic affairs															
Enterprise and econ development	758	773	744	784	806	-25	69	197	217	175	732	842	942	1,000	982
Science and technology	6	5	4	3	3	328	362	350	412	474	334	367	354	415	477
Employment policies	0	0	0	0	0	436	289	251	327	299	436	289	251	327	299
Agriculture, forestry and fisheries	924	961	912	948	878	23	11	11	15	18	947	972	922	962	897
Transport	2,603	2,573	2,804	2,750	2,592	157	148	169	170	181	2,760	2,721	2,973	2,920	2,773
Environment protection	990	935	943	1,013	1,016	229	221	242	259	291	1,219	1,156	1,186	1,271	1,307
Housing and community amenities	1,748	1,725	1,621	1,649	1,804	0	0	0	0	0	1,748	1,725	1,621	1,649	1,804
Health	10,789	10,916	11,184	11,354	11,442	162	197	155	147	149	10,951	11,113	11,339	11,501	11,591
Recreation, culture and religion	1,023	1,088	1,119	1,066	1,140	447	428	504	380	482	1,469	1,516	1,622	1,446	1,622
Education and training	7,630	7,434	7,628	7,549	7,663	26	23	19	14	28	7,656	7,457	7,647	7,563	7,691
Social protection	5,052	5,300	5,513	5,481	5,788	15,560	16,008	16,745	16,660	17,053	20,612	21,309	22,258	22,140	22,840
Accounting adjustments	3,532	3,741	3,558	3,729	3,706	1,502	1,151	2,087	1,609	1,478	70,823	71,247	73,384	72,839	73,494
Total	**38,787**	**39,043**	**39,486**	**39,653**	**40,363**	**26,919**	**27,081**	**28,260**	**27,829**	**28,014**	**65,705**	**66,125**	**67,746**	**67,482**	**68,377**

Note: Negative expenditure for Scotland by other UK Government departments associated with Enterprise and Economic Development represents Scotland's population share of the unwinding of the UK Government's financial sector interventions following the global financial crisis.

Recent classification decisions

On 30 October 2015, the ONS announced that private providers of registered social housing in England, which includes many housing associations, have been reclassified from the private sector to the public sector. The ONS implemented this change in the Public Sector Finances on 19 February 2016. As GERS is consistent with the January 2016 Public Sector Finances, the UK figures do not include the effect of the reclassification.

The ONS has also made a number of other classifications that directly affect Scottish public expenditure. The most significant of these affect infrastructure projects being delivered by the Non-Profit Distributing (NPD) programme. Normally, the only expenditure associated with such schemes reported in GERS are the unitary charge payments made by the Scottish Government once the project is completed. However, in July 2015, the ONS decided that the Special Purchase Vehicle set up to deliver the Aberdeen Western Peripheral Route is a public rather than private body. As such, all its expenditure will fall within the public sector expenditure covered by GERS at the time the spending occurs. The bodies set up to deliver the Edinburgh Royal Hospital for Sick Children and the Dumfries and Galloway Royal Infirmary may be treated in the same way. These decisions have not yet been incorporated into the UK Public Sector Finances, as a final decision has not been taken on whether these bodies will be classified to central government or public corporations. The changes have therefore not been incorporated into the main estimates of spending in this edition of GERS. The projects only begin incurring expenditure in 2014-15, with spending in previous years unaffected. When implemented, the decision will increase Scottish and UK spending in 2014-15 by £109 million.

Box 3.2: Comparisons of Scottish expenditure to other areas of the UK (Experimental Statistics)

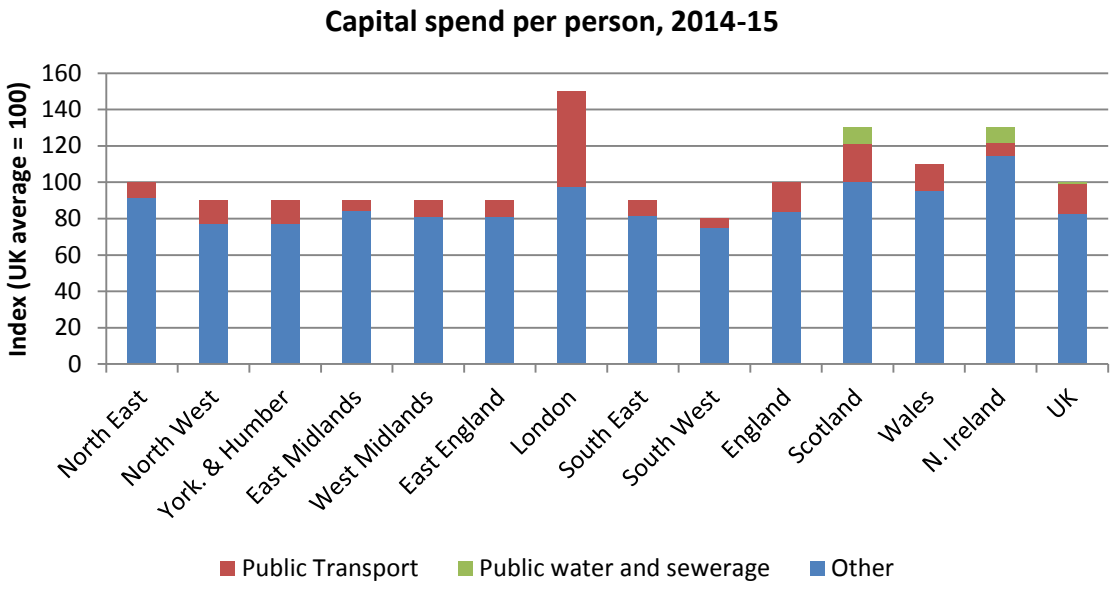
The chart below provides experimental estimates of public sector expenditure for each of the UK countries and regions. Full details of the methodology can be found at: http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/RelatedAreas

We welcome user feedback about this analysis, including comments on the methods used. As normal, please feedback to economic.statistics@gov.scot .

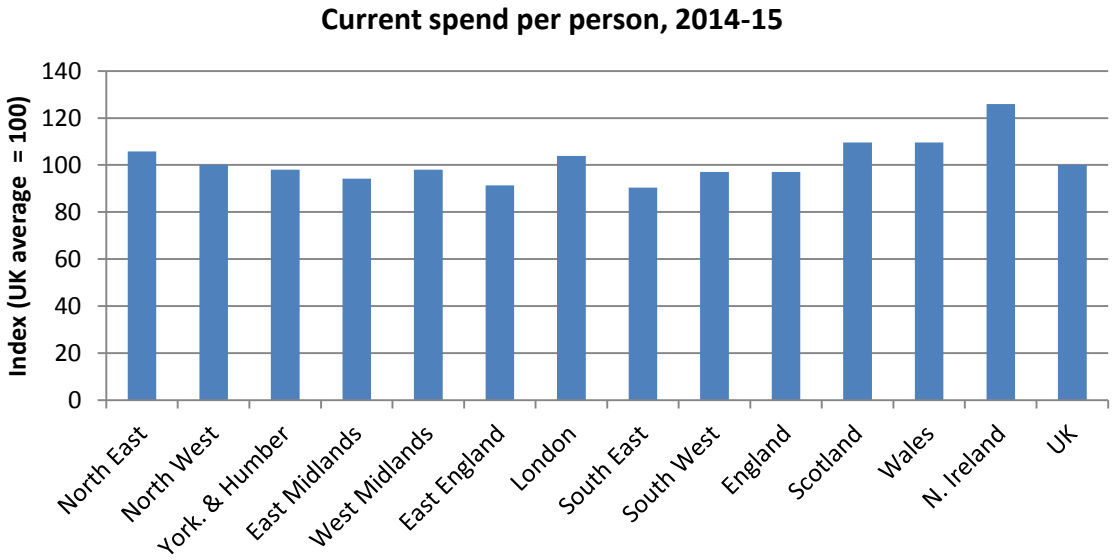
Overall, Scotland is estimated to have the second highest level of spending per person of the UK countries and regions. The charts below show spending per person separately first for capital and then current spend relative to the UK average.

In most countries and regions, capital spending accounts for approximately 10% of total expenditure. There is a large variation in capital spending per person, with London receiving the highest. As shown in the chart, the higher levels of capital spending in London are due, in part, to capital expenditure on public transport, which includes spending on railways, the London Underground, and buses. Spending in Scotland and Northern Ireland is also higher than other parts of the UK due in part to the fact that their water and sewerage services are provided by the public sector, rather than private companies. The fact that these services remain in the public sector in these countries also increases their public sector revenue. Scotland is estimated to have the second highest level of capital expenditure per person of the UK countries and regions, even when spending on Scottish Water is excluded.

The ONS is currently consulting on the production of Public Sector Finance statistics for the Country and Regions of the UK. The consultation is available at: https://www.ons.gov.uk/aboutus/whatwedo/statistics/consultationsandsurveys/allconsultationsandsurveys/consultationoncountryandregionalpublicsectorfinances



The chart below shows current expenditure per person. This accounts for around 90% of total expenditure. Scotland is estimated to have the second highest level of current expenditure per person of the UK countries and regions



A SUPPLEMENTARY TABLES

This section presents supplementary tables on public sector revenue and expenditure in Scotland.

Table A.1 below shows the population figures used in calculating per head estimates in GERS.

Table A.1: Financial Year Population Estimates (thousands)

	2010-11	2011-12	2012-13	2013-14	2014-15
Scotland	5,272	5,303	5,317	5,333	5,352
UK	62,891	63,390	63,805	64,228	64,722
As % of UK total	**8.4%**	**8.4%**	**8.3%**	**8.3%**	**8.3%**

Note: Financial year estimates are calculated as the weighted average of the relevant mid-year estimates. I.e., the 2014-15 population is estimated as three-quarters of the 2014 population plus one quarter of the 2015 population.

Table A.2 below shows the relationship between revenue, current expenditure, and the current budget balance, and then the transition from the current budget balance to the net fiscal balance.

Table A.2: Current and Capital Budgets: Scotland

	(£ million)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Current Budget					
Current revenue					
Excluding North Sea revenue	45,530	47,246	48,276	50,051	51,639
Including North Sea revenue (population share)	46,234	48,162	48,794	50,446	51,826
Including North Sea revenue (geographical share)	52,996	56,878	53,565	54,050	53,443
Current expenditure	58,357	58,802	59,447	60,313	61,237
Capital consumption	3,770	3,783	3,741	4,070	4,143
Balance on current budget					
(surplus is positive, deficit is negative)					
Excluding North Sea revenue	**-16,598**	**-15,339**	**-14,911**	**-14,332**	**-13,741**
Including North Sea revenue (population share)	**-15,893**	**-14,423**	**-14,393**	**-13,936**	**-13,555**
Including North Sea revenue (geographical share)	**-9,132**	**-5,707**	**-9,622**	**-10,332**	**-11,937**
Capital Budget					
Capital expenditure	7,348	7,323	8,299	7,169	7,140
Capital consumption	-3,770	-3,783	-3,741	-4,070	-4,143
Net Investment	**3,578**	**3,540**	**4,559**	**3,100**	**2,996**
Net Fiscal Balance (surplus is positive, deficit is negative)					
Excluding North Sea revenue	**-20,175**	**-18,879**	**-19,470**	**-17,431**	**-16,738**
Including North Sea revenue (population share)	**-19,471**	**-17,963**	**-18,952**	**-17,036**	**-16,551**
Including North Sea revenue (geographical share)	**-12,710**	**-9,247**	**-14,181**	**-13,432**	**-14,934**

Devolved Revenues

The tables below set out revenue raised in Scotland from taxes devolved to the Scottish Parliament prior to 2014-15.

Table A.3: Existing Devolved Taxes Revenue

	(£ million)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Council Tax	1,904	1,917	1,935	1,956	1,996
Non Domestic Rates	1,863	1,954	1,930	1,927	1,915
Total	3,767	3,871	3,865	3,884	3,911

The table below shows the estimated historical revenues from the revenues devolved under the Scotland Act 2012.

Table A.4: Revenue under Scotland Act 2012

	(£ million)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Scottish Rate of Income Tax Liabilities (from 2016-17)[1]	4,427	4,267	4,273	4,288	4,449
Stamp duty land tax (from 2015-16)[2]	334	275	283	389	478
Landfill tax (from 2015-16)	129	131	139	150	147

Source: HMRC, OBR

Notes: 1. This table shows Scottish Rate of Income Tax liabilities rather than receipts. They are therefore calculated on a different basis to the estimates of total Scottish income tax receipts in Table 1.1.

2. Stamp duty land tax has been replaced with Land and Building Transaction Tax in Scotland from 2015-16.

The table below shows the estimated historical revenues from the taxes proposed for devolution under the Scotland Bill 2015-16, following the recommendations of the Smith Commission.

Table A.5: Revenues devolved under Scotland Bill 2015-16 proposals

	(£ million)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Air Passenger Duty (from 2018-19)	185	228	243	273	309
Aggregates Levy (date to be decided)	55	48	43	43	54
Non-savings and non-dividend income tax liabilities (from 2017-18)	10,392	10,584	10,714	10,911	11,196

Note: this table shows Scottish non-savings and non-dividends income tax liabilities rather than receipts. They are therefore calculated on a different basis to the estimates of total Scottish income tax receipts in Table 1.1.

The Scotland Bill 2015-16 proposes to assign the Scottish Government receipts from the first 10p of the standard rate of VAT and the first 2.5p of the reduced rate of VAT in Scotland. Table A.6 shows the VAT that would be assigned to Scotland under this proposal. Within GERS, VAT is shown gross of VAT refunds to government. This is consistent with the approach taken by the ONS in the UK public sector finances. This figure is higher than the actual amount of VAT received by HMRC, which is VAT net of refunds. Table A.6 shows the estimated VAT which would be assigned to Scotland on both a gross and net basis. VAT assigned to the Scottish Government would likely be reported on a net basis in budget documents.

Table A.6: VAT Assignment: Scotland 2010-11 to 2014-15					
	(£ million)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Gross VAT (from 2019-20)	4,357	4,779	4,832	5,022	5,173
Net VAT (from 2019-20)	3,757	4,129	4,183	4,409	4,562

Note: Assigned VAT receipts are 50% of total receipts in all years. This is an approximation in 2010-11 when the standard rate was 17.5% until January 2011

Further information on the planned devolution of revenue power to the Scottish Government is available in the fiscal framework agreement between the Scottish and UK Governments, available at the following link: http://www.gov.scot/Publications/2016/02/3623/0

Devolved Social Security Benefits

The table below shows the value of social security benefits which will be devolved to the Scottish Government under the Scotland Bill 2015-16 proposals. It does not include existing devolved benefits such as council tax reduction.

Table A.7: Benefits proposed for devolution under Scotland Bill 2015-16 Proposals, 2014-15 (£ million)	
Disability Living Allowance	1,465
Attendance Allowance	485
Carer's Allowance	203
Winter Fuel Payment	184
Personal Independence Payment	164
Industrial Injuries Disablement Benefit	92
Severe Disablement Allowance	77
Cold Weather Payment	7
Funeral Payment	4
Sure Start Maternity Grant	3
Total expenditure on benefits to be devolved	**2,684**

Source: *Social security for Scotland: Benefits being devolved to the Scottish Parliament*
http://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/SocialSecurityforScotland/SSfSNov2015

Summary of current and proposed devolved powers

The table below shows estimates of devolved receipts and expenditure under the Scotland Act 2012 and the Scotland Bill 2015-16 proposals.

Table A.8: Fiscal powers before and after Scotland Bill 2015-16 Proposals, 2014-15 (£ million)

	Before Scotland Bill 2015-16	After Scotland Bill 2015-16
Non Saving Non Dividend Income Tax Liabilities (devolved from 2016-17)	4,449	11,196
Stamp Duties (Land and Buildings) (devolved from 2015-16)	478	478
Air Passenger Duty (devolved from 2018-19)		309
Landfill Tax (devolved from 2015-16)	147	147
Aggregates Levy (date to be decided)		54
Non-domestic Rates	1,915	1,915
Council Tax	1,996	1,996
Total devolved revenues	**8,985**	**16,095**
Devolved revenue as % of non-North Sea Scottish revenue	**17%**	**31%**
as % of revenue incl geographical share of North Sea revenue[1]	**17%**	**30%**
Assigned VAT[2] (assigned from 2019-20)	0	5,367
Total devolved and assigned revenues	**8,985**	**21,461**
Devolved and assigned revenue as % of non-North Sea Scottish revenue	**17%**	**41%**
as % of revenue incl geographical share of North Sea revenue[1]	**17%**	**40%**
Devolved expenditure excluding housing benefit[3] (HB)	38,587	41,262
Devolved revenue as % of estimated devolved expenditure excl HB	**23%**	**39%**
Devolved and Assigned revenue as % of estimated devolved expenditure excl HB	**23%**	**52%**
Devolved expenditure including housing benefit[3]	40,363	43,038
Devolved revenue as % of estimated devolved expenditure incl HB	**22%**	**37%**
Devolved and Assigned revenue as % of estimated devolved expenditure incl HB	**22%**	**50%**

[1] Figures for the shares of devolved revenue as a share of total revenue including a population share of North Sea revenue are the same as the share when excluding North Sea revenue.

[2] Assigned VAT is shown on a gross basis, consistent with the National Accounts presentation. If net VAT were to be used, devolved expenditure would also need to be adjusted, as set out in Table A.17. In this case, devolved revenue as a share of estimated devolved expenditure would be 40% excluding housing benefit and 38% including housing benefit. Other Scotland Bill 2015-16 percentages are unchanged.

[3] In GERS and the CRA, housing benefit is included in Scottish Local Government spending, as they make the payments to recipients, although it is set centrally and funded by the Department for Work and Pensions. Depending on definitions adopted, it could either be excluded or included in devolved expenditure. GERS presents both approaches.

GDP

Table A.9 below provides the financial year GDP estimates used in GERS.

Table A.9: Scottish GDP including and excluding North Sea GDP: (£m)

	2010-11	2011-12	2012-13	2013-14	2014-15
Scottish GDP					
Excluding North Sea revenue	123,775	128,178	130,336	135,293	140,835
Including North Sea revenue (per capita share)	126,104	130,545	132,328	137,214	142,179
Including North Sea revenue (geographical share)	146,872	151,751	149,613	153,472	153,340
UK GDP	1,574,905	1,629,096	1,678,863	1,756,151	1,830,404

Source: Quarterly National Accounts Scotland, http://www.gov.scot/snap; ONS

General Government

The headline GERS figures cover the whole of the public sector. As such, they include revenue and expenditure associated with public corporations such as Scottish Water and the Bank of England. They are on a financial year basis.

When conducting international comparisons, bodies such as the IMF or the OECD present figures on a calendar year basis and covering only general government; i.e., excluding public corporations. In order to help comparisons with such figures, the table below presents the GERS results on this general government and calendar year basis

Table A.10: General government revenue, expenditure, and balance: Scotland and UK

	(£ million)				
	2010	2011	2012	2013	2014
Revenue					
Excluding North Sea revenue	43,610	45,997	46,756	49,922	50,673
Including North Sea revenue (per capita share)	44,314	46,914	47,274	50,317	50,860
Including North Sea revenue (geographical share)	51,076	55,630	52,045	53,921	52,477
UK	*554,506*	*585,010*	*592,672*	*629,569*	*640,992*
Expenditure					
Scotland	65,006	65,619	67,813	66,849	68,289
UK	*705,346*	*709,831*	*731,142*	*728,043*	*744,016*
Net Fiscal Balance					
Excluding North Sea revenue	-21,396	-19,622	-21,057	-16,927	-17,616
Including North Sea revenue (per capita share)	-20,692	-18,705	-20,539	-16,532	-17,429
Including North Sea revenue (geographical share)	-13,930	-9,989	-15,768	-12,928	-15,812
UK	*-150,840*	*-124,821*	*-138,470*	*-98,474*	*-103,024*
	(% GDP)				
Excluding North Sea revenue	-17.5%	-15.4%	-16.3%	-12.6%	-12.6%
Including North Sea revenue (per capita share)	-16.4%	-14.3%	-15.5%	-12.0%	-12.3%
Including North Sea revenue (geographical share)	-9.5%	-6.6%	-10.5%	-8.4%	-10.3%
UK	*-9.7%*	*-7.7%*	*-8.3%*	*-5.7%*	*-5.7%*

Note: an error was identified in the North Sea revenue figures in Table A.10 on 9 March 2016. This did not affect figures in any other table in the publication. Estimates of revenue excluding the North Sea were not affected. Estimates of revenue including a per capita share of North Sea revenue have been reduced by an average of £0.1 billion per year in 2012, 2013, and 2014, and revised upward by a similar amount in 2010 and 2011. Estimates of revenue including a geographical share of North Sea revenue have been reduced by an average of £0.9 billion per year in 2012, 2013, 2014, and revised upward by an average of £0.6 billion in 2010 and 2011.

Revisions to the cash estimate of the net fiscal balance are the same as revisions to revenue. As a share of GDP, the net fiscal balance including a population share of North Sea revenue is on average unchanged in 2012, 2013, and 2014, and revised to be on average 0.1% of GDP smaller in 2010 and 2011. Including a geographical share of North Sea revenue, the net fiscal balance has been revised to be on average 0.6% of GDP larger in 2012, 2013, and 2014, and to be on average 0.5% smaller in 2010 and 2011.

Public Sector Unitary Charge Payments

The table below presents figures for expenditure on public sector unitary charges for projects in Scotland. These are payments by the Scottish public sector to private companies for assets delivered through forms of Public Private Partnerships, such as the Private Finance Initiative or the Non-Profit Distributing model.

Table A.11: Public Sector Unitary Charge Expenditure in Scotland

	(£ million)				
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Scottish Public Sector Unitary Charges	825	905	954	976	1,007
Other UK Government Departments PFI Unitary Charges for Projects in Scotland	23	23	23	23	23
Total Unitary Charges in Scotland	**848**	**928**	**978**	**999**	**1,031**

Confidence intervals

A number of the revenues in GERS are based on survey estimates. As such, they have an associated statistical uncertainty. The table below presents the 95% confidence intervals associated with these revenues. Other revenues are based on administrative data, or modelled data for which confidence intervals are not available. Estimates are not presented for these revenues. Expenditure is primarily based on administrative data, and therefore confidence intervals are not presented for expenditure.

Although tobacco duties and alcohol duties are both based on the Living Costs and Food Survey, the confidence interval for alcohol is larger. This is because the methodology for calculating alcohol duties uses more disaggregate survey data to reflect the different levels of duty, and revenue, received from different types of alcohol. This lower level survey data has a correspondingly larger uncertainty.

Table A.12: Confidence intervals around survey based apportionments

	Scotland (£ Millions)				
	Central estimate	**95% lower bound**	**95% upper bound**	**Range**	**Range (%)**
Income tax	11,735	11,618	11,852	+/- 117	+/- 1%
National insurance contributions	8,969	8,879	9,059	+/- 90	+/- 1%
VAT	10,734	10,503	10,965	+/- 231	+/- 2.2%
Tobacco duties	1,258	1,237	1,279	+/- 21	+/- 1.7%
Alcohol duties	961	878	1,043	+/- 82	+/- 8.6%
Betting and gaming and duties	185	182	188	+/- 3	+/- 1.4%
Insurance premium tax	206	202	210	+/- 4	+/- 2%
Total survey based apportionments	**34,047**	**33,499**	**34,595**	**+/- 548**	**+/- 1.6%**

Amendments to the Country and Regional Analysis database

A number of significant improvements have been made to the HM Treasury Country and Regional Analysis (CRA) database in recent years to apportion expenditure more accurately to countries and regions of the UK. While many anomalies in previous editions of the CRA have been addressed and are now reflected in both CRA 2015 and this GERS report, a small number of supplementary amendments to the CRA 2015 dataset were made in producing GERS. The aim of these refinements is to ensure that the public sector expenditure figure for Scotland captures as accurately as possible expenditure for the benefit of Scottish residents.

The amendments made to the CRA in producing this edition of GERS are shown in Table A.13. They are discussed in the detailed expenditure methodology paper available at http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/Methodology.

In 2014-15, UK capital expenditure in the CRA associated with the London Olympics is negative. This is because the capital receipts associated with the sale of the former Olympic Village were greater than new investment, and so net capital expenditure is negative.

In GERS, Scotland is allocated none of the expenditure associated with the London Olympics. As the default approach to London Olympics expenditure would be to apportion Scotland a population share of the negative UK expenditure in 2014-15 recorded in the CRA database, apportioning Scotland a zero share increases Scottish expenditure.

Table A.13: Amendments to Estimates of Total Public Sector Expenditure on Services from CRA 2015

	(£ million)				
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Nuclear-related expenditure	-144	-139	-164	-174	-179
London Olympics	-57	-55	-43	-1	19
Pensions revisions	-16	-17	-17	-18	-19
Other minor revisions	-64	-9	-33	-30	-50
Total	-281	-220	-256	-224	-228

Note: Amendments do not include EU Transactions

Accounting adjustments

Spending in GERS is based on the HM Treasury CRA database.[16] This provides an estimate of Total Expenditure on Services (TES) for Scotland. Accounting adjustments are used to move from TES, which accounts for around 85% of total spending, to Total Managed Expenditure (TME), the primary measure of public spending used in the UK Public Sector Finances. In GERS, EU transactions are included as part of the accounting adjustments, rather than a separate spending line. The adjustments are shown in the table below.

Table A.14: Total Accounting Adjustment: Scotland and UK 2009-10 to 2014-15

	(£ million)				
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Scotland					
TES to TME accounting adjustment	5,118	5,122	5,638	5,357	5,117
EU transactions	-85	-231	7	-19	67
Total Scottish accounting adjustment	**5,033**	**4,891**	**5,645**	**5,338**	**5,184**
UK					
TES to TME accounting adjustment	52,262	54,818	62,711	57,516	61,673
EU transactions	3,628	2,034	4,307	5,047	3,723
Total UK accounting adjustment	**55,890**	**56,852**	**67,018**	**62,563**	**65,396**

In order to present Scottish Government and Local Government spending on a TME basis in GERS, it is necessary to allocate different parts of the accounting adjustments to either the Scottish Government or other UK Government departments. Currently, capital consumption, VAT refunds, the subsidy to the Housing Revenue Account and Student Loans, and the Local Authority Pensions are allocated to the Scottish Government or Scottish Local Government. Other elements are allocated to other UK Government departments operating in Scotland.

[16] https://www.gov.uk/government/publications/country-and-regional-analysis-2015

Table A.15: Public Sector Finances Accounting Adjustment: UK

	(£ million)				
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
UK total managed expenditure (TME)	707,991	707,742	722,081	726,506	737,119
UK total expenditure on services (TES)	655,729	652,924	659,370	668,990	675,446
UK accounting adjustment	**52,262**	**54,818**	**62,711**	**57,516**	**61,673**
of which current expenditure:					
Central government capital consumption	15,019	15,815	16,192	16,560	16,819
Local government capital consumption	8,464	8,976	9,497	10,017	10,526
Current VAT refunds	11,095	11,672	11,553	11,597	11,434
VAT receipts paid to the EU	2,267	2,276	2,397	2,339	2,222
Student loans subsidy[1]	-4,242	-2,215	-3,809	-6,310	-2,151
Imputed subsidy from Local Authorities to the Housing Revenue Account[2]	1,069	441	387	465	598
Imputed flows for Renewable Obligation Certificates [3]	1,283	1,471	1,966	2,532	3,064
Local authority pensions	1,826	1,881	1,966	1,862	1,900
Network Rail	3,701	3,496	3,747	3,638	4,359
Tax credits	5,607	4,674	2,827	2,623	2,676
British Transport Police Service Agreements	201	194	193	202	238
Current expenditure residual	-4,954	-5,929	-4,933	1	-1,651
of which capital expenditure:					
Capital VAT refunds	2,064	2,223	2,143	2,097	2,168
Network Rail	-675	-451	-321	2,405	1,081
Royal Mail Pension Plan	0	0	9,460	0	0
Capital expenditure residual	9,536	10,294	9,445	7,488	8,390

[1] TES includes the subsidy implied in student loans being issued at lower than market rate. This is not included in TME – the National Accounts measures the difference between interest received from students and the amount of interest paid by the government on the debt incurred to make the loans.

[2] The Housing Revenue Account (HRA) is classified as a Public Corporation by the ONS, which means that they pay dividends on their profits to local authorities. To ensure that these dividends are non-negative, the ONS impute a subsidy from local authorities to HRAs to cover any shortfall (offset in Public Corporation gross operating surplus, which scores on the revenue side of the account).

[3] Renewable Obligation Certificates are bought and sold by energy companies. The ONS have decided that these flows should be channelled through central government and so impute offsetting amounts of spending and income.

[4] The residual for the UK in 2014-15 includes a timing adjustment. The TES figure used in GERS is consistent with the latest CRA analysis, which is from November 2015. The TME figure in GERS is consistent with the public sector finances statistical bulletin published in January 2016. In addition, the residual includes changes to TES not reflected in TME and to TME not reflected in TES in the years prior to 2013-14.

Table A.16: Public Sector Finances Accounting Adjustment: Scotland					
	(£ million)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Scottish total managed expenditure (TME)	65,705	66,125	67,746	67,482	68,377
Scottish total expenditure on services (TES)	60,587	61,003	62,108	62,125	63,260
Scottish accounting adjustment	**5,118**	**5,122**	**5,638**	**5,357**	**5,117**
Percentage of UK accounting adjustment	**9.8%**	**9.3%**	**9.0%**	**9.3%**	**8.3%**
Of which current expenditure:[1]					
Central government capital consumption	1,193	1,272	1,237	1,319	1,273
Local government capital consumption	812	877	943	987	1,038
Current VAT refunds	1,012	1,093	1,095	1,039	1,027
VAT receipts paid to the EU	192	190	201	201	190
Student loans subsidy[2]	76	85	-124	-8	-50
Imputed subsidy from Local Authorities to the Housing Revenue Account[3]	84	35	30	36	47
Imputed flows for Renewable Obligation Certificates[4]	152	175	233	300	364
Local authority pensions	166	171	173	169	176
Network Rail	413	339	287	256	196
Tax credits	428	348	208	188	191
British Transport Police Service Agreements	17	17	17	17	20
Current expenditure residual	-415	-497	-411	0	-137
Of which capital expenditure:					
Capital VAT refunds	188	208	203	188	195
Network Rail	0	-50	-30	45	-109
Royal Mail Pension Plan	0	0	788	0	0
Capital expenditure residual	799	860	788	620	696

[1, 2, 3, 4] See notes to Table A.15

Reconciliation to published Scottish Government and Scottish Local Government budgets

There are a number of differences between the figures for spending by Scottish Government and Local Authorities presented in Table 3.8 and figures presented in Scottish Government budgets and Scottish Local Government Finance Statistics. The key differences relate to accounting treatments, particularly of pensions, VAT refunds, and depreciation.

GERS uses National Accounts principles, which show pensions expenditure as the difference between monies paid into the pension fund and monies paid out, and which shows gross expenditure before VAT refunds. Depreciation in GERS is based on the concept of capital consumption, which uses estimates of the value of assets used to provide services in terms of current asset values.

In contrast, budget documents use financial accounting principles, which include a measure of future liabilities of pension funds, and which shows net expenditure after VAT refunds. Depreciation is based on historical asset prices.

A more detailed description of the differences is provided in Box 5.2 of GERS 2013-14. http://www.gov.scot/Publications/2015/03/1422/8

Table A.17 below shows the reconciliation of published Scottish Government and Scottish Local Government Finance figures to the figures published in the CRA and GERS. This shows figures for 2013-14 rather than 2014-15, as this is the latest year for which published accounts were available for both the Scottish Government and Scottish Local Government when the CRA was published.

Table A.17: Reconciliation of published budget documents to GERS expenditure Table 3.8 (£ billion)

	2013-14
Scottish Government	
Published Scottish Government budget[1]	34.3
Spending by Audit Scotland and Scottish Parliament	0.1
Total Scottish Government expenditure	***34.4***
Adjustments to align budget to CRA measure of spending	
Grants to other public sector bodies (e.g. local government)	-10.7
Pensions	-2.4
Depreciation	-0.7
Other	-0.9
Final Scottish Government expenditure from CRA	**21.6**
Scottish Local Government	
Published Local Government gross current expenditure[2]	12.3
Income excluding grants from Central Government[3]	-1.9
Housing benefit	1.8
Published Local Government gross capital expenditure[4]	2.5
Income from sales of capital assets[4]	-0.2
Final Scottish Local Government expenditure from CRA	***14.4***
Scottish Government and Scottish Local Government from CRA	**36.0**
National Accounts adjustments[5]	
Capital consumption	2.3
VAT refunds	1.2
Student loan and Housing Revenue Account subsidy in Scotland	0.0
Other accounting adjustments	0.1
Final Scottish Government and Scottish Local Government TME	**39.7**

B REVISIONS

This section presents revisions from the previous GERS 2013-14 publication.

Revisions to Non-North Sea Revenue Estimates from GERS 2013-14

Table B.1 summarises the revisions in this edition of GERS. Scotland's share of UK revenues is in general unchanged.

Table B.1: Revision to Estimates of Total Non-North Sea Revenue (£ Millions)

	2010-11	2011-12	2012-13	2013-14
Scotland				
Estimates published in GERS 2013-14	45,523	47,279	48,321	49,958
Estimates published in GERS 2014-15	45,530	47,246	48,276	50,051
Revision (£m)	**7**	**-34**	**-45**	**93**
UK				
Estimates published in GERS 2013-14	564,109	582,450	595,223	619,443
Estimates published in GERS 2014-15	564,832	583,267	596,299	620,853
Revision (£m)	**723**	**817**	**1,076**	**1,410**
Scotland/UK ratio				
Estimates published in GERS 2013-14	**8.1%**	**8.1%**	**8.1%**	**8.1%**
Estimates published in GERS 2014-15	**8.1%**	**8.1%**	**8.1%**	**8.1%**
Revision (% point)	**0.0%**	**0.0%**	**0.0%**	**0.0%**

Revisions to Scottish estimates stem from three sources: revisions to UK totals; revisions to apportionment data; and updated apportionment methodologies. The net effect of all of the changes has been to increase the estimate of public sector revenue in Scotland by £93 million, an increase of 0.2%, and the estimate of UK revenue by £1.4 billion.

The impact of the methodological changes is shown in the table below.

Table B.2: Methodological Revisions to Estimates of Non-North Sea Revenue (£ Millions)

	2010-11	2011-12	2012-13	2013-14
Major methodological updates				
Onshore corporation tax	-130	-222	-248	-251
VAT[1]	141	131	185	309
Student loans interest income	-8	-25	-52	-103
Landfill tax	32	36	40	45
Crown Estate	-10	-11	-9	-10
Total methodological updates	**25**	**-91**	**-85**	**-10**
Other revisions	-18	57	40	102
Total revision	**7**	**-34**	**-45**	**93**

[1] VAT revision in 2013-14 combines impact of methodological update and latest Family Spending data

Revisions to onshore corporation tax reflects the alignment of the GERS estimate of corporation tax with HMRC's estimate. The approach taken by HMRC apportions corporation tax on a company-by-company basis, using the employment share of each company in Scotland.

VAT has been revised due to updated sector shares. As discussed in more detail in the revenue methodology paper, Scotland's VAT share is a weighted average of its share of household VAT, government VAT, and VAT from exempt businesses, charities, and house building. The weights for these sectors were previously taken from the ONS Supply and Use Tables, but are now taken from the HMRC VAT Theoretical Tax Liability (VTTL) model. In addition, the estimate of Scotland's VAT receipts has been revised up in 2013-14 due to the latest data from the Family Spending publication.

Estimates of Scottish interest and dividend have been revised down, reflecting the incorporation of Scottish specific data relating to interest income from student loans. Previously, Scotland had been allocated a population share of UK student loans interest income.

Estimates of Scottish landfill tax have been revised up, reflecting the outturn data for Scottish landfill tax since April 2015, which suggests that the Scottish share of UK landfill tax revenue is higher than previously estimated in GERS. More detail is provided in the detailed revenue methodology note.

Estimates of Crown Estate revenue are now based on the share of gross surplus reported in the Crown Estate Scotland Report resulting in small revisions. Estimates of expenditure have also been adjusted using the same source.

Revisions to other revenues are shown in Table B.3 below.

Table B.3: Revision to Estimates of Public Sector Revenue: Scotland and UK 2013-14

	(£ million)		%	
	Scotland	**UK**	**Scotland**	**UK**
Income tax	-133	-2	-1.2%	0.0%
Corporation tax (excluding North Sea)	-251	0	-8.9%	0.0%
Capital gains tax	-4	0	-1.5%	0.0%
Other taxes on income and wealth	-4	1	-1.3%	0.0%
National insurance contributions	0	0	0.0%	0.0%
VAT	308	-11	3.1%	0.0%
Fuel duties	75	0	3.4%	0.0%
Stamp duties	23	0	3.6%	0.0%
Tobacco duties	-16	0	-1.3%	0.0%
Alcohol duties	12	0	1.2%	0.0%
Betting and gaming and duties	10	0	6.1%	0.0%
Air passenger duty	22	0	8.8%	0.0%
Insurance premium tax	10	0	5.1%	0.0%
Landfill tax	45	0	43.3%	0.0%
Climate change levy	-3	0	-2.1%	0.0%
Aggregates levy	-6	0	-12.2%	0.0%
Inheritance tax	-30	0	-12.7%	0.0%
Vehicle excise duty	0	0	0.0%	0.0%
Non-domestic rates	0	192	0.0%	0.8%
Council tax	16	0	0.8%	0.0%
Other taxes, royalties and adjustments	197	1,815	17.7%	14.3%
Interest and dividends	-67	-117	-14.2%	-2.0%
Gross operating surplus	-127	-638	-3.2%	-1.7%
Rent and other current transfers	15	170	5.7%	5.4%
Total revision	**93**	**1,410**	**0.2%**	**0.2%**

Gross operating surplus has been revised down for both Scotland and the UK. For the UK, this reflects downward revision to the estimates of central government gross operating surplus made by the ONS. For Scotland, the revision reflects both the reduction in the UK estimate, and a reduction in the share of central government capital consumption estimated to arise in Scotland in the latest ONS Regional Accounts. Central government gross operating surplus is an accounting concept equal to central government capital consumption, which is included in expenditure. As such, these revisions do not affect the net fiscal balance estimates.

Estimates of Scottish income tax have been revised down reflecting updated apportionment data from the Survey of Personal Incomes for 2013-14.

Revisions to other taxes, royalties, and adjustments primarily reflect revisions to the UK accounting adjustment.

Revisions to the majority of previously published estimates are relatively small and largely explained by revisions made by the ONS to the UK constraining totals for each revenue stream.

Revisions to North Sea Revenue Estimates from GERS 2013-14

Table B.4 summarises the revisions to North Sea revenues in this edition of GERS by comparing the estimates contained in this report with last year's publication. There are small revisions to Scottish and UK estimates in all years. The Scottish revisions reflect small changes to the estimates of Scotland's illustrative geographical share.

Table B.4: Revisions to North Sea Revenue: 2010-11 to 2013-14

	2010-11	2011-12	2012-13	2013-14
Scotland (illustrative geographical share)				
Estimates published in GERS 2013-14	7,459	9,668	5,235	3,996
Estimates published in GERS 2014-15	7,466	9,633	5,289	3,999
Revision	**7**	**-35**	**55**	**3**
UK				
Estimates published in GERS 2013-14	8,406	10,958	6,214	4,766
Estimates published in GERS 2014-15	8,402	10,957	6,215	4,764
Revision	**-4**	**-1**	**1**	**-2**

A discussion of revisions to all taxes between 2010-11 and 2013-14 is provided in the GERS 2014-15 Revenue Methodology note available on the GERS website.

Revisions to Expenditure Estimates from GERS 2013-14

Table B.5 sets out the changes in estimates of public expenditure in Scotland and the UK between this report and GERS 2013-14. These revisions reflect changes in the underlying CRA data, revisions to the GERS methodology and revisions to the data sources used to apportion non identifiable expenditure to Scotland. Revisions to public expenditure that can be traced to changes to the total expenditure on services (TES) measure in the HM Treasury CRA database are specified separately.

Total public sector expenditure has been revised up for both Scotland and the UK in all years. For the UK, this primarily reflects upward revisions to the TES to TME accounting adjustments. For the years 2010-11 to 2012-13, these revisions are small, around 0.2% of TME. In 2013-14 the revision is larger.

For Scotland, there a number of reasons for revisions to the data. Firstly, HM Treasury have corrected their estimates of Scottish Local Government spend to include capital expenditure financed from the revenue budget and to exclude inter- and intra-authority charges. Overall these changes reduce spending by £450 million in 2012-13 and £420 million in 2013-14, with smaller amounts in previous years. This primarily affects spending on public and common services and transport.

Secondly, estimates of EU transactions have been adjusted to remove elements of double-counting. This broadly cancels out the changes to Local Government expenditure described above in 2012-13 and 2013-14, but leads to an increase in expenditure in earlier years.

In 2011-12 expenditure on social protection has increased due to a revision to the relevant Scottish Local Government Financial Statistics publication, where some third party payments for social care were misclassified as transfer payments. This increases spending for Scotland by approximately £280 million.

Finally, estimates of Scottish spending on science and technology have increased, following the alignment of estimates of research council spending in GERS with those in the CRA. This change increases spending by approximately £100 million per year.

In 2013-14, Scottish and UK expenditure have both been revised up due to revisions to the TES to TME accounting adjustment. This largely reflects changes to the estimate of UK expenditure which is classed as expenditure on services, and therefore has a regionally identified element of spend. In CRA 2014, expenditure on services in 2013-14 was estimated at £667 billion (94.0% of total expenditure); in CRA 2015 this was revised to £669 billion (92.3% of total expenditure). This revision results in an increase in the amount of UK spend which cannot be identified to a region, and a population share of this non-identifiable expenditure is allocated to Scotland. The use of a population share is a change from GERS 2013-14, when a spending share was used, but brings the treatment of non-identifiable expenditure in the accounting adjustment into line with the treatment of non-identifiable expenditure in the CRA.

Table B.5: Revisions to Estimates of Total Managed Expenditure: 2010-11 to 2013-14				
	(£ million)			
	2010-11	2011-12	2012-13	2013-14
Scotland				
Estimates published in GERS 2013-14	65,112	65,768	67,848	66,388
Estimates published in GERS 2014-15	65,705	66,125	67,746	67,482
Revision	593	357	-102	1,094
Of which revisions to TES	787	668	145	231
Of which revisions to TES to TME accounting adjustment	-194	-311	-247	863
UK				
Estimates published in GERS 2013-14	706,520	706,190	720,836	721,489
Estimates published in GERS 2014-15	707,991	707,742	722,081	726,506
Revision	1,471	1,552	1,245	5,017
Of which revisions to TES	447	184	-446	-7,820
Of which revisions to TES to TME accounting adjustment	1,024	1,368	1,691	12,837
Scotland/UK Ratio				
Estimates published in GERS 2013-14	9.2%	9.3%	9.4%	9.2%
Estimates published in GERS 2014-15	9.3%	9.3%	9.4%	9.3%
Revision (% point)	**0.1%**	**0.0%**	**0.0%**	**0.1%**

The table below shows the revisions to spend in 2013-14 by function.

Table B.6: Revisions to Estimates of Public Sector Expenditure: Scotland and UK 2013-14				
	(£ million)			
	£ million		%	
	Scotland	UK	Scotland	UK
General public services				
Public and common services	-154	-1,140	-9.5%	-9.4%
International services	0	2	0.0%	0.0%
Public sector debt interest	3	57	0.1%	0.2%
Defence	-5	-21	-0.2%	-0.1%
Public order and safety	-5	-624	-0.2%	-2.1%
Economic affairs				
Enterprise and economic development	-49	254	-4.6%	4.8%
Science and technology	82	-2	24.7%	0.0%
Employment policies	-2	1	-0.5%	0.0%
Agriculture, forestry and fisheries	0	-76	0.0%	-1.4%
Transport	-129	-1,341	-4.2%	-6.6%
Environment protection	-6	-523	-0.5%	-4.5%
Housing and community amenities	30	-1,928	1.9%	-16.4%
Health	36	-152	0.3%	-0.1%
Recreation, culture and religion	-40	-249	-2.7%	-2.1%
Education and training	-36	-1,521	-0.5%	-1.7%
Social protection	-183	-557	-0.8%	-0.2%
Accounting adjustments	1,553	12,836	41.0%	25.8%
Total revision	**1,094**	**5,017**	**1.6%**	**0.7%**

Revisions to Estimates of Capital Consumption from GERS 2013-14

Table B.7 sets out the changes to estimates of capital consumption in Scotland and the UK between this report and GERS 2013-14. Capital consumption, which represents the capital stock consumed to provide services within the year, is included alongside current expenditure when calculating the current budget balance. It does not affect the estimate of the net fiscal balance.

Table B.7: Revisions to capital consumption: 2010-11 to 2013-14

	£ million			
	2010-11	2011-12	2012-13	2013-14
Scotland				
Estimates published in GERS 2013-14	3,777	3,746	3,818	4,142
Estimates published in GERS 2014-15	3,770	3,783	3,741	4,070
Revision	-6	37	-78	-72

Unlike for public corporations' expenditure and operating surplus, detailed capital consumption data are not available on a public corporation basis from the ONS, as they are not separately identified within their perpetual inventory model. The Scottish Government is investigating the potential to use public corporation data from the Whole of Government Accounts, which may provide a more stable estimate of Scottish public corporation capital consumption.

Revisions to Fiscal Aggregates from GERS 2013-14

Table B.8 shows revisions to the current budget balance from the previous publication of GERS. Both the UK and Scotland's current budget balances have worsened in all years. This reflects the changes to expenditure discussed above.

Table B.8: Revisions to Estimates of the Current Budget Balance: 2010-11 to 2013-14

	£ million			
	2010-11	2011-12	2012-13	2013-14
Estimates published in GERS 2013-14				
Excluding North Sea revenue	-16,030	-14,732	-14,851	-13,837
Including North Sea revenue (per capita share)	-15,325	-13,815	-14,334	-13,441
Including North Sea revenue (geographical share)	-8,571	-5,064	-9,616	-9,840
UK	-93,756	-81,921	-83,848	-71,490
Estimates published in GERS 2014-15				
Excluding North Sea revenue	-16,598	-15,339	-14,911	-14,332
Including North Sea revenue (per capita share)	-15,893	-14,423	-14,393	-13,936
Including North Sea revenue (geographical share)	-9,132	-5,707	-9,622	-10,332
UK	-94,961	-83,473	-84,760	-73,754
Difference (£ million) (positive shows improvement)				
Excluding North Sea revenue	-568	-607	-60	-495
Including North Sea revenue (per capita share)	-568	-608	-60	-496
Including North Sea revenue (geographical share)	-561	-642	-5	-492
UK	-1,205	-1,552	-912	-2,264

Table B.9 shows revisions to the net fiscal balance from the previous publication of GERS. In most years, the revisions pattern is similar to that for the current budget balance.

Table B.9: Revisions to Estimates of the Net Fiscal Balance: 2010-11 to 2013-14

	£ million			
	2010-11	2011-12	2012-13	2013-14
Estimates published in GERS 2013-14				
Excluding North Sea revenue	-19,589	-18,489	-19,527	-16,430
Including North Sea revenue (per capita share)	-18,885	-17,572	-19,010	-16,034
Including North Sea revenue (geographical share)	-12,130	-8,821	-14,293	-12,434
UK	-134,005	-112,782	-119,399	-97,280
Estimates published in GERS 2014-15				
Excluding North Sea revenue	-20,175	-18,879	-19,470	-17,431
Including North Sea revenue (per capita share)	-19,471	-17,963	-18,952	-17,036
Including North Sea revenue (geographical share)	-12,710	-9,247	-14,181	-13,432
UK	-134,757	-113,518	-119,567	-100,889
Difference (£ million) (positive shows improvement)				
Excluding North Sea revenue	-586	-391	57	-1,002
Including North Sea revenue (per capita share)	-586	-391	58	-1,002
Including North Sea revenue (geographical share)	-579	-426	112	-999
UK	-752	-736	-168	-3,609

In addition to revisions to the fiscal aggregates themselves, there are also revisions to the fiscal aggregates expressed as a share of GDP due to changes in GDP estimates. These are shown in Tables B.10 and B.11 for the current budget balance and the net fiscal balance respectively. If there had been no revisions to estimates of the current budget balance or net fiscal balance in cash terms, previous estimates of Scotland's fiscal aggregates excluding the North Sea would generally have been largely unchanged.

Table B.10: Impact of Revisions to GDP on Estimates of the Current Budget Balance

	2010-11	2011-12	2012-13	2013-14
Estimates published in GERS 2013-14	(% of GDP)			
Excluding North Sea revenue	-13.1%	-11.5%	-11.5%	-10.3%
Including North Sea revenue (population share)	-12.3%	-10.6%	-10.9%	-9.8%
Including North Sea revenue (geographical share)	-5.9%	-3.4%	-6.5%	-6.4%
UK	*-5.9%*	*-5.0%*	*-5.0%*	*-4.1%*
GERS 2013-14 estimate with latest GDP estimates	(% of GDP)			
Excluding North Sea revenue	-13.0%	-11.5%	-11.4%	-10.2%
Including North Sea revenue (population share)	-12.2%	-10.6%	-10.8%	-9.8%
Including North Sea revenue (geographical share)	-5.8%	-3.3%	-6.4%	-6.4%
UK	*-6.0%*	*-5.0%*	*-5.0%*	*-4.1%*
Change (positive denotes improvement)	(% point difference)			
Excluding North Sea revenue	0.1%	0.0%	0.1%	0.0%
Including North Sea revenue (population share)	0.1%	0.0%	0.1%	0.0%
Including North Sea revenue (geographical share)	0.1%	0.0%	0.1%	0.0%
UK	*0.0%*	*0.0%*	*0.0%*	*0.1%*

Table B.11: Impact of Revisions to GDP on Estimates of the Net Fiscal Balance				
	2010-11	**2011-12**	**2012-13**	**2013-14**
Estimates published in GERS 2013-14		**(% of GDP)**		
Excluding North Sea revenue	-16.0%	-14.5%	-15.1%	-12.2%
Including North Sea revenue (population share)	-15.1%	-13.5%	-14.5%	-11.7%
Including North Sea revenue (geographical share)	-8.4%	-5.9%	-9.7%	-8.1%
UK	*-8.5%*	*-6.9%*	*-7.2%*	*-5.6%*
GERS 2013-14 estimate with latest GDP estimates		**(% of GDP)**		
Excluding North Sea revenue	-15.8%	-14.4%	-15.0%	-12.1%
Including North Sea revenue (population share)	-15.0%	-13.5%	-14.4%	-11.7%
Including North Sea revenue (geographical share)	-8.3%	-5.8%	-9.6%	-8.1%
UK	*-8.5%*	*-6.9%*	*-7.1%*	*-5.5%*
Change (positive denotes improvement)		**(% point difference)**		
Excluding North Sea revenue	0.1%	0.0%	0.1%	0.0%
Including North Sea revenue (population share)	0.1%	0.0%	0.1%	0.0%
Including North Sea revenue (geographical share)	0.1%	0.0%	0.2%	0.0%
UK	*0.0%*	*0.0%*	*0.1%*	*0.1%*

C LIST OF ABBREVIATIONS

CRA	Country and Regional Analysis
DECC	Department of Energy and Climate Change
DWP	Department for Work and Pensions
ESA10	European System of Accounts 2010
EU	European Union
GDP	Gross Domestic Product (at market prices)
GERS	Government Expenditure and Revenue Scotland
GOS	Gross Operating Surplus
GVA	Gross Value Added (GDP at basic prices)
HMRC	HM Revenue and Customs
NPD	Non-Profit Distributing
NHS	National Health Service
NRS	National Records of Scotland
OBR	Office for Budget Responsibility
ONS	Office for National Statistics
PFI	Private Finance Initiative
PSAT2	Public Sector Accounts Table 2
QNAS	Quarterly National Accounts Scotland
SNAP	Scottish National Accounts Project
TES	Total Expenditure on Services
TME	Total Managed Expenditure
UK	United Kingdom
UKCS	UK Continental Shelf
VAT	Value Added Tax

D GLOSSARY

Accounting Adjustment: the adjustment required to reconcile Total Expenditure on Services provided in the CRA with Total Managed Expenditure. The largest element of the accounting adjustment is capital consumption.

Accruals: the accounting convention whereby an expenditure or revenue is recorded at the time when it has been incurred or earned rather than when the money is paid or received.

Capital Consumption: also called Consumption of Fixed Capital; the amount of fixed assets used up in an accounting period as a result of normal wear and tear, foreseeable obsolescence, and losses from accidental damage. It is a National Accounts concept similar to the concept of depreciation in financial accounts.

Capital Expenditure: includes capital formation, the net acquisition of land, expenditure on capital grants, and the value of assets acquired under finance leases. Under ESA10 it also includes most research and development expenditure. In-house development of assets such as computer software and databases can be capitalised in government accounts provided certain conditions are met. It is sometimes called 'own account capital formation'.

Central Government: comprises parliaments; government departments (including Scottish Government) and the executive agencies or other bodies controlled by central government.

Country and Regional Analysis (CRA): the primary source of outturn data on public expenditure identifiable to Scotland, Wales, Northern Ireland and the English regions.

Current Budget Balance: the difference between current revenues (including capital taxes) and current expenditure (including capital consumption)

Current Expenditure: the sum of the current expenditure of general government and interest and dividends payable by public corporations to the private sector and abroad. Public sector current expenditure is net of certain revenue items, such as some sales of goods and services by general government. As it is defined at the public sector level, any transactions and transfers between parts of the public sector are also excluded. It includes items such as public sector wages and salaries and transfer payments.

Current Revenue: all revenue raised by the public sector from tax and non-tax revenues except the sale of assets or interest received.

European System of Accounts 2010 (ESA10): the system used by the Office for National Statistics for producing and presenting UK National Accounts. The system is a legal requirement for EU member states reporting economic statistics to the EU Commission.

EU Transactions: EU transactions cover public sector transactions with the EU, excluding those associated with customs duties. It does not include any transactions between the EU and private bodies.

Extra-regio: the part of UK economic activity that is not allocated to a specific region. Extra-regio includes activity relating to offshore oil and gas extraction, UK embassies overseas and armed forces stationed abroad.

General Government: Central and local government.

Gross Domestic Product: a measure of the value of goods and services produced in the UK before providing for capital consumption. It is equal to gross value added at basic prices plus taxes (less subsidies) on products. Alternatively, it is equal to the sum of total final domestic consumption expenditures less imports of goods and services.

Gross Operating Surplus: the surplus generated by operating activities after the labour factor input has been recompensed.

Gross Value Added: the contribution to the economy of each individual producer, industry or sector in Scotland or the UK. It is a measure of GDP in basic prices.

Identifiable Expenditure: expenditure that is directly identified as having been spent *for* the benefit of a country or region within the UK.

Local Government: all 32 Local Authorities in Scotland.

National Accounts: a statistical system that represents the economic activity and transactions between sectors in a national economy (see ESA10).

Net Fiscal Balance: the difference between estimated total public sector spending for Scottish residents and estimated total public sector revenue raised in Scotland.

Net Investment: public sector capital expenditure, net of capital consumption.

Non-Identifiable Expenditure: expenditure that is considered to occur on behalf of the UK as a whole and which cannot be decomposed on an individual country or regional basis.

Outturn: expenditure (revenue) actually incurred (received) to date and been subject to audit.

Public Corporations: a sector from National Accounts consisting of publicly controlled market entities. To be classed as 'market' their sales must be at least 50% of their operating costs.

Public Sector Finances: the monthly statistics on the public sector produced jointly by the Office for National Statistics and HM Treasury.

Total Expenditure on Services (TES): an aggregate used in CRA to analyse capital and current spending of the public sector.

Total Managed Expenditure (TME): a definition of aggregate public spending derived from National Accounts. TME captures total public expenditure in the UK.

UK Public Sector Net Borrowing: the difference between the sum of UK public sector current and capital revenues and UK public sector expenditure as measured in the Public Sector Finances according to the National Accounts framework.

Who Benefits Principle: the approach used to estimate expenditure for Scotland. It identifies the expenditure in a given year that was incurred for the full range of public services that were consumed: that is, those services provided *for* the people of Scotland.

Who Pays Principle: the approach used to estimate public sector revenue in Scotland. It is based upon the residential location of where the revenue is raised.

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Designation can be interpreted to mean that the statistics: meet identified user needs; are produced, managed and disseminated to high standards; and are explained well.

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☐ are available via an alternative route

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ISBN: 978-1-78652-029-6 (web only)

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ISBN: 978-1-78652-029-6

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APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS65908 (03/16)