

Consultation on Government Expenditure & Revenue Scotland (GERS) 2016-17 – Response

Summary

As part of the commitment to continuous improvement to the processes used in publications, Scottish Government statisticians have been reviewing the data and methodologies within the Government Expenditure and Revenue Scotland (GERS) publication. The Scottish Government issued a survey to gather users' views on proposed changes for the 2016-17 publication, available at the link below:

<http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/GERSConsultation2017>

The survey closed on 28 July 2017. Respondents were able to reply online, via email, or post. The consultation was publicized on the GERS website, with emails sent out to registered users members of ScotStat, and promoted on the ScotStat Twitter account.

Overall, there were 10 responses to the consultation. This is a reduction from the 133 responses received to the GERS 2015-16 consultation, and reflects the fact that there were no responses associated with a particular campaign. The level of responses was in line with previous consultations, with the GERS 2014-15 consultation receiving 9 responses, and reflects the technical nature of the consultation. As well as the public consultation, the proposed changes were also discussed at the Scottish Economic Statistics Consultation Group. Minutes are available at:

<http://www.gov.scot/Topics/Statistics/Browse/Economy/ScotStat/Meetings>

The Scottish Government will review the way that it publicizes future consultations to ensure that they are appropriately visible.

A number of changes have been made in GERS 2016-17 in response to the user consultation. These changes are summarized below. The main methodological change relates to North Sea revenue, with other changes being presentational.

North Sea revenue

A number of changes have been made to the reporting of North Sea corporation tax revenue in GERS 2016-17. The UK totals are now reported on an accruals rather than a cash basis, in line with changes introduced by the Office for National Statistics (ONS) in February 2017.¹ As well as this, the methodology for estimating Scotland's illustrative geographical share of UK North Sea receipts has been changed to align with the methodology used by the ONS in its recent Country and Regional Public Sector Finances publication.² This increases the Scottish share in the most recent two years, but decreases it prior to this. This methodological change also allows separate Scottish shares to be presented for petroleum revenue tax and North Sea corporation tax for the first time.

Presentation of income tax, corporation tax, and other small taxes

GERS estimates for income tax and corporation tax are now presented on the same basis as those used by the Office for Budget Responsibility (OBR). This involves the removal of the 'other taxes on income and wealth' category, with elements such as gift aid, charitable

¹ <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/articles/improvementstoaccrualsmethodologyforcorporationtaxbankcorporationtaxsurchargeandthebanklevy/2017>

² <https://www.ons.gov.uk/releases/countryandregionalpublicsectorfinances>

adjustments, and company tax credits now reported within the income tax and corporation tax lines.

As well as this, the presentation of VAT has also been changed to match that used by the OBR, with VAT refunds to government departments now reported separately.

Finally, total revenue has now been separated into tax and non-tax revenues, again to match the presentation used by the OBR. This split has been a common request from users interested in the detail of the revenue figures.

Presentation of devolved powers measures

The presentation of the devolved powers measures in Chapter 4 has been simplified to reduce the number of tables, and to present fewer measures. It also focusses explicitly on devolved taxes rather than devolved revenue.

Feedback on the changes to GERS is welcome, and can be addressed to:

Email: economic.statistics@gov.scot

Post: *Government Expenditure & Revenue Scotland
Office of the Chief Economic Adviser
Scottish Government
St Andrew's House
Regent Road
Edinburgh
EH1 3DG*

Tel: 0131 244 2825

Background on the GERS 2016-17 Consultation

As part of the commitment to continuous improvement to the processes used in its publications, Scottish Government statisticians issued a consultation to gather users' views on proposed changes for the GERS 2016-17 publication. This followed a review of the data and methodologies within the GERS publication. Details and analysis of the changes are available at the link below:

<http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/GERSConsultation2017>

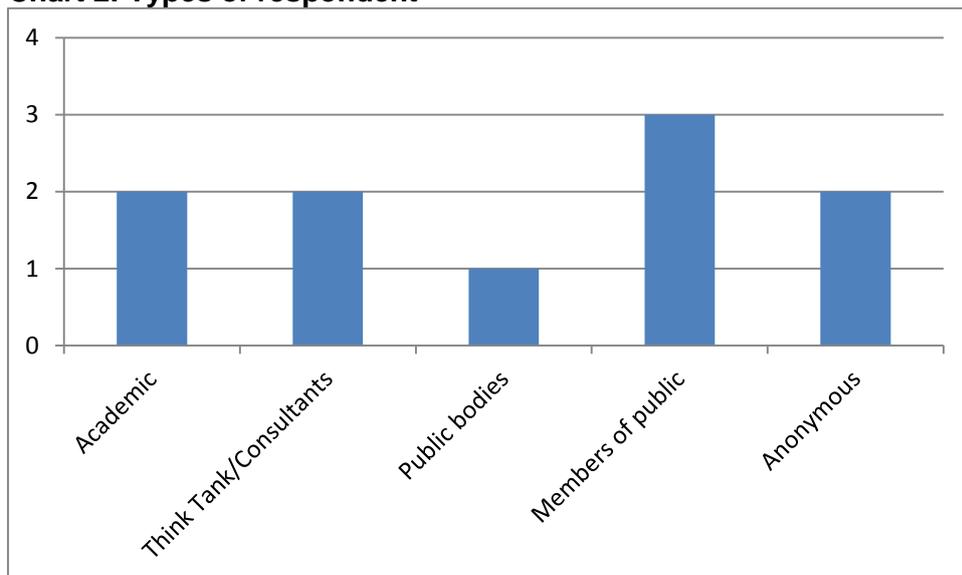
The survey closed on 28 July 2017. Respondents were able to reply online, via email, or post. The consultation was publicised on the GERS website, with emails sent out to over 700 registered members of ScotStat, a network for users of Scottish Official Statistics, and promoted on the ScotStat Twitter account.

As shown in Chart 1 below, the most popular way of responding was via the online survey.

Chart 1: Means of replying to consultation

In total, 10 individuals or bodies responded to the consultation, spread across a range of areas, as shown in Chart 2 below.

Chart 2: Types of respondent

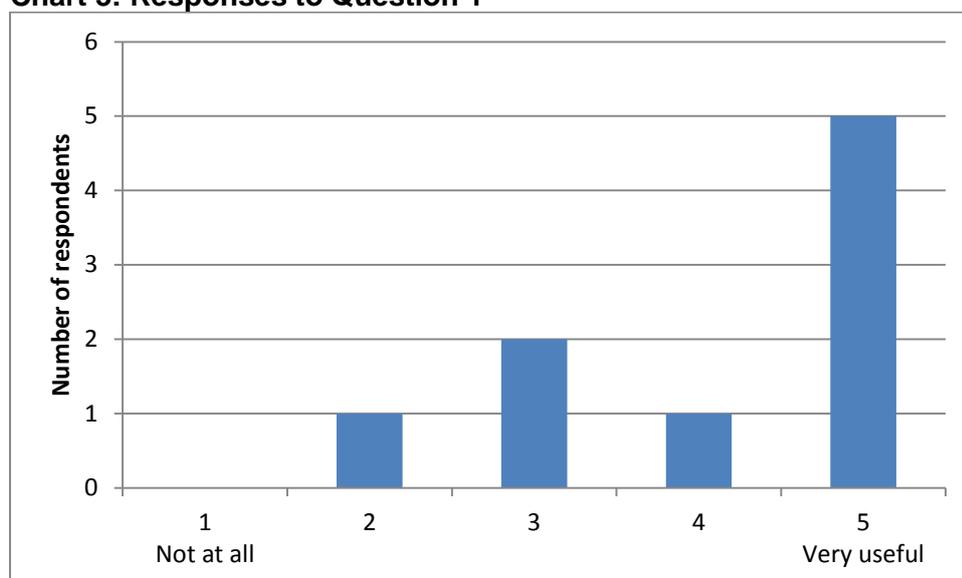


Responses to the consultation

The responses to the consultation are summarized below. The full responses of those respondents who were happy for the Scottish Government to publish their response are available in Annex A.

Question 1: How useful do you find the GERS publication? What do you find most/least useful about the publication?

Chart 3: Responses to Question 1



Summarized comments

Half of respondents (50%) responded that the publication was very useful, with only one respondent scoring it below three out of five on the scale. One respondent did not answer the question. Of those that responded with a score of four or five, the main comment was that they found GERS useful for placing Scotland's public sector finances in a wider context. Two respondents provided a score of three, and made a number of comments, including concerns that:

- GERS is incorrectly used as a measure of an independent Scotland's public finances, rather than a measure of Scotland within the UK;
- The methodologies for assigning UK government spending to Scotland are unclear;
- Scotland lacks the reporting structure to ensure that data for Scotland are of sufficient quality;
- The estimates used in GERS underestimated Scottish taxation because, for example, they estimate income tax based on where workers live rather than where they work, and so underestimate Scottish receipts from oil and gas workers.

The respondent who provided a score of two was concerned that inconsistencies with UK data undermined the credibility of GERS. It is not clear if they were concerned with the consistency of UK data overall, or the consistency of GERS with UK figures.

Scottish Government response

Response to comments on the use of GERS

As explained in the Executive Summary and elsewhere in the publication, GERS provides estimates for Scotland under the current constitutional arrangements. The Scottish Government will continue to make this clear in the presentation of results, and in discussions with users.

Response to comments on the quality of the GERS data

Although the figures in GERS are estimates, the Scottish Government continues to improve the methodologies wherever possible. The Scottish Government is working with HM Treasury to try and improve the reporting of the methodologies for assigning UK government spend to Scotland. In order to increase transparency in this area, the Scottish Government has made available a detailed spending database that sets out additional detail on spending for Scotland for the years 2011-12 to 2015-16 on the GERS website. However, under the current tax regime, there will continue to be a requirement to use some form of estimation in deriving Scottish figures. Users may be interested in the Scottish Parliament Economy Committee's Call for Evidence on Scottish Economic Data, which is examining the issues of:

- Accuracy (how reliable is the data)
- Utility (how useful is it)
- Interpretation (how to make sense of it); and
- Scrutiny (what are we measuring and does it encourage effective scrutiny).

The call for evidence will close on 1st September. Further information is available at: <http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/105165.aspx>

Response to comments on the accuracy of GERS

Whilst there is clearly a degree of uncertainty in estimating Scottish revenue, as is set out in Table A.5, we are unaware of any biases in the estimates. This means that GERS is equally likely to underestimate as overestimate Scottish revenue. For example, in the case of workers who work in a different country from where they live, income based taxes are paid in the country that an employee is resident, not where they work. Further information on how tax is applied in these cases is available at:

<https://www.gov.uk/tax-foreign-income>

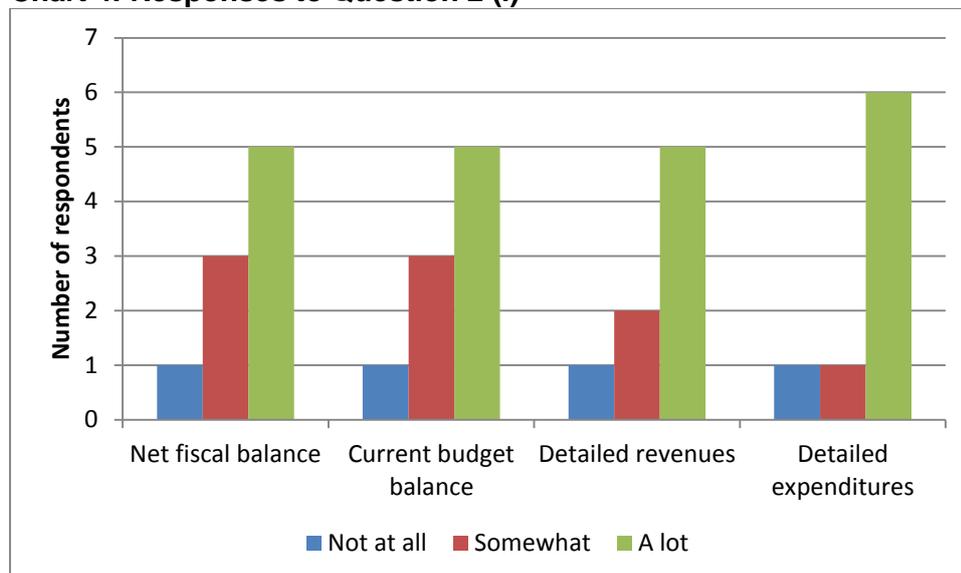
Response to comments on the consistency of UK data

GERS is consistent with the UK Public Sector Finances. The Scottish Government works closely with officials at the Office for National Statistics and HM Treasury to ensure that it continues to reflect these as accurately as possible. Under EU law, the UK Public Sector Finances are compiled in accordance with the standards set out in the European System of Accounts (ESA 2010). They have recently been assessed by the UK Statistics Authority, and on 22nd June 2017 the UK Statistics Authority published a letter confirming their status as National Statistics, meaning that they meet the highest standards of trustworthiness, quality, and value. This letter is available at the link below.

<https://www.statisticsauthority.gov.uk/publication/15302/>

Question 2: (i) Which figures do you use from the publication? (ii) What do you feel is missing from the publication?

Chart 4: Responses to Question 2 (i)



Summarized comments

Around half of respondents used all aspects of the publication a lot, although slightly less use was made of the detailed revenue and expenditure figures. One respondent did not answer the question, and one only provided answers to use of the net fiscal balance and current budget balance. One respondent made no use of any of the figures, but provided no further comments.

Whilst most respondents felt that GERS currently provided good coverage of information, there were a number of suggestions for additional information. These included:

- Providing borrowing figures for the Scottish Government and Scottish Local Government;
- Providing sub-Scotland analysis, for example, to understand how spending correlates with deprivation and age structure; or how important particular regional economies are in providing overall revenue;
- Spend per head and revenue per head by spend type and tax type;

A number of more wide-ranging suggestions were also made. These are discussed alongside general comments on the publication as part of the response to Question 7.

Scottish Government response

Response to comments on borrowing figures

The question of presenting figures for Scottish Government and Scottish Local Government borrowing has been discussed with users previously as part of the GERS 2014-15 consultation.³ A number of users were concerned that such figures could be misinterpreted in the context of the overall net fiscal balance presented in the GERS publication, as under the current constitutional arrangements any borrowing by Scottish government bodies is

³ <http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/GERSConsultation2015>

likely to be small compared to the overall net fiscal balance. However, the increase in the powers of the Scottish Government may make revisiting this issue more important.

Users may wish to note that currently information on Scottish Local Government borrowing is published as part of Scottish Local Government Financial Statistics.⁴ Also, to date, the Scottish Government has not undertaken any cash borrowing, although it has agreed notional borrowing arrangements with HM Treasury to cover the impact of the reclassification of the Aberdeen Western Peripheral Route, the Edinburgh Royal Hospital for Sick Children, and the Dumfries and Galloway Royal Infirmary. The reclassification of these schemes is discussed in GERS 2015-16.

Response to comments on sub-Scotland analysis

The Scottish Government recognizes that there is continuing user interest in sub-Scotland analysis. Analysis below the country and regional level is an area that the ONS has begun to look at for the UK as a whole.⁵ At the moment, data are not collected to allow either revenues or expenditure to be fully reported at a sub-Scotland level.

Response to comments on disaggregated tax and spend per person

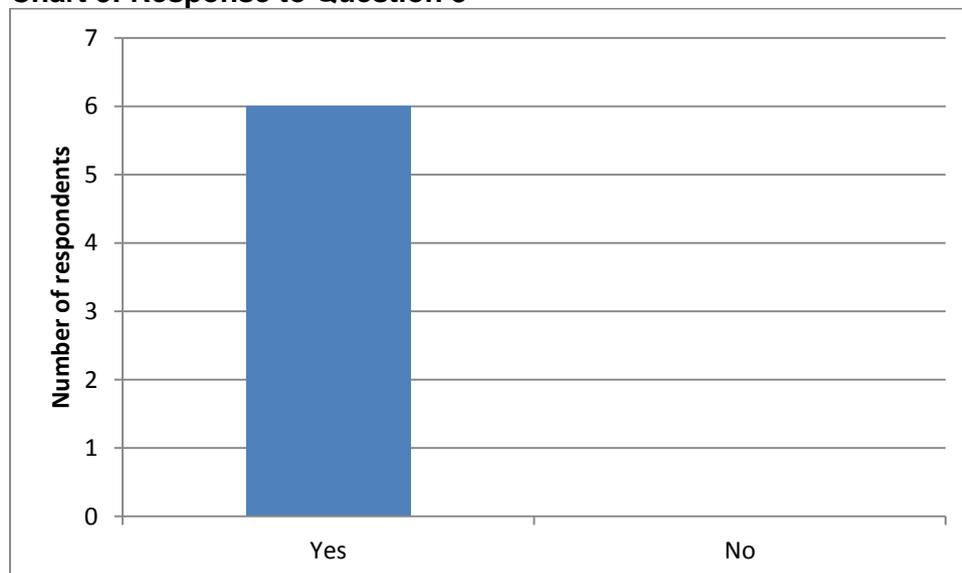
GERS does not present disaggregated tax and spend per head figures. Although these can be calculated in a relatively straightforward manner from published figures, there are some concerns over the interpretation of such figures. For example, it is not clear how to interpret differences in inheritance tax paid per person, as most people will not pay the tax in any given year. Similarly, on the detailed spending figures, classifications differences between bodies in Scotland and the rest of the UK can distort spending figures on individual lines, and make per person comparisons less meaningful. This can reflect bodies having slightly different primary functions. For example, in Northern Ireland, the Employment and Skills programmes are delivered by the Department for the Economy, and are reported as spend on employment policies, where in Scotland similar programmes are delivered by Skills Development Scotland, and are reported as education and training spending.

⁴ <http://www.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/PubScottishLGFStats>

⁵ <https://consultations.ons.gov.uk/public-sector-finances/sub-national-psf-consultation/>

Question 3: Do you agree with the recommendation to align the estimate of Scotland's illustrative geographical share of North Sea revenue in GERS with that used by HMRC and the ONS? What further analysis or information could be used to judge the change?

Chart 5: Response to Question 3



Summarized comments

Of the respondents providing yes or no responses, all respondents supported the change. No respondents were directly against the change, but some provided further comments. These included:

- A desire that all figures should be produced in Scotland and verified by independent and impartial experts;
- A note that it was important to demonstrate that key stakeholders supported the change;
- Presenting results based on the Civil Jurisdiction (Offshore Activities Order) 1987, as well as the median line approach.

Scottish Government response

As set out in the GERS 2016-17 consultation documents, the Scottish Government has produced its own internal estimates of the Scottish geographical share of North Sea revenue, which closely match those produced by HMRC. The current structure of the UK tax system means that administrative tax data are held by HMRC. The Digital Economy Act may make sharing of such data easier in future.

As well as being supported by respondents to the consultation, the changes were also discussed and supported by the Scottish Economic Statistics Consultants Group (SESCG). Membership of SESCOG includes a range of academics, public sector, and industry representatives. Further information is available on the SESCOG website.⁶

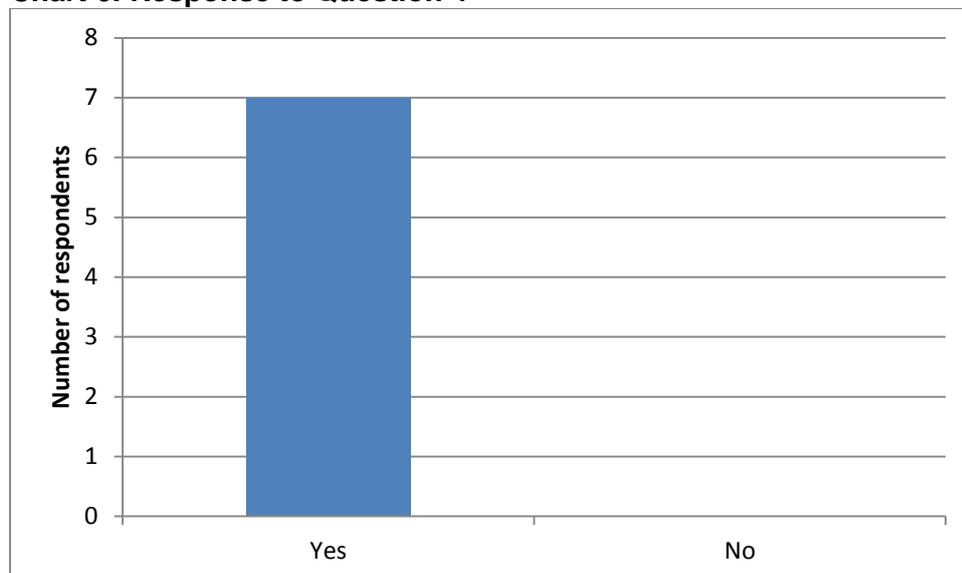
The current presentation of North Sea revenue was introduced following the GERS review in 2008. This replaced analysis which showed a range of possible measures for Scotland share of North Sea revenue. It is worth noting that estimates of Scottish North Sea revenue using

⁶ <http://www.gov.scot/Topics/Statistics/Browse/Economy/ScotStat/comms>

the Civil Jurisdiction boundary would be very similar to those currently published in GERS. The additional fields which would be included in this measure have account for only around 1% of North Sea production in each year since 1998.

Question 4: Do you agree with the proposal to align the GERS presentation with that used by the OBR and ONS? If not, how would you like the results to be presented?

Chart 6: Response to Question 4



Summarized comments

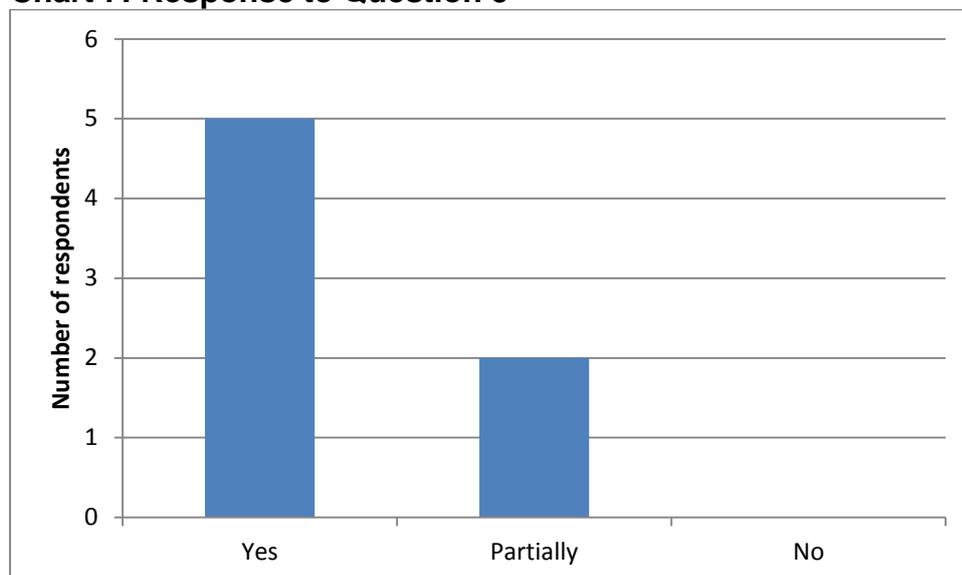
All respondents providing responses to this question were supportive of the change. A number of comments were provided, noting that whilst the change would help improve comparisons between different publications, it was important that historical figures were updated to be on the new basis.

Scottish Government response

GERS 2016-17 has adopted the new proposed presentation. This has been applied to revenues back to 1998-99. The revisions are also presented on the new basis. We are keen to hear the views of users on the new presentation.

Question 5: Do you find the new presentation on devolved powers helpful? Are there any items which you feel should/should not be included?

Chart 7: Response to Question 5



Summarized comments

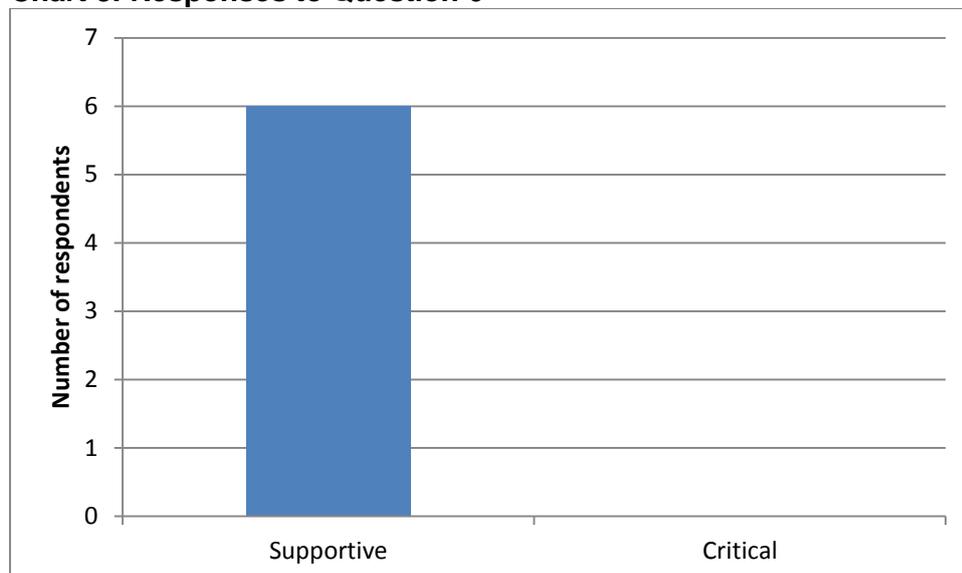
Of the respondents providing answers to this question, the majority (5 out of 7) were supportive of the new presentation. Although no respondents were opposed to the change, some did voice some concerns, namely that the presentation of VAT refunds and gross operating surplus would need to be carefully explained, or possibly excluded.

Scottish Government response

The proposed presentation has been reviewed in light of the comments provided by users. As a result, the table has been changed to focus on devolved taxes, rather than revenue, meaning that gross operating surplus and VAT refunds are no longer presented. The simplified presentation of expenditure has been retained. The Scottish Government is keen to hear the views of users on the new presentation.

Question 6: What are users views on the impact of the change of the move to August? What further information on the change would you like?

Chart 8: Responses to Question 6



Summarized comments

All of the respondents providing answers to this question were supportive of the change in timing. A number of comments on the change were provided, including:

- Useful to align the timing of the GERS estimates with other statistics;
- Ensuring that data from the PESA publication in July could be incorporated.

Although users were supportive of the change, several noted that it was important to ensure that the improved timeliness of the publication did not lead to a significant loss in quality.

Scottish Government response

GERS will continue to be published in August. We welcome the support for the change from users, and will continue to monitor the impact of the change on the quality of the GERS estimates.

Question 7: Do you have any further comments on the methodology, commentary, or presentation of results in GERS, or any other comments?

Summarized comments

Users provided a range of other comments on the GERS publication. These are grouped into broad categories below.

Methodology and communication

- The Scottish Government should provide clear information on how GERS is produced and how it should be interpreted. This could for example involve producing a video explaining GERS and the concepts involved; or making greater use of infographics;
- The GERS methodology should change to become more devolved, to help protect its reputation, and to give the producers more control over estimates of revenue and expenditure;
- GERS should provide more information to users on how much Scottish revenue and expenditure is based on administrative data, and how much is based on estimates.

Scottish Government response

The Scottish Government continue to review the way it communicates and disseminates the GERS results, in line with best practice.

The current structure of the UK tax system means that administrative tax data are held by HMRC, which means that they will normally be best placed to produce analyses of these data. The Digital Economy Act may make sharing of such data easier in future, however, there will often be economies of scale in having Scottish analysis carried out alongside UK-wide analysis. For example, much of any processing of data on Scottish consumer spending will already be undertaken by the ONS, and it would be inefficient for the Scottish Government to duplicate this work.

The Scottish Government works closely with analysts across the UK who are producing statistics on Scotland to improve the quality of statistics for Scotland. Statistics covering Scotland should be considered to be less reliable simply because they are produced outside of Scotland. However, Scottish Government statisticians make the final judgement on the best estimates for Scotland. As set out in Table A.6 of GERS, Scottish Government statisticians make a number of changes to the estimates of spending assigned to Scotland in the Country and Regional Analysis, reducing spend in Scotland by around £200 million per year.

The Scottish Government is working to provide more transparency to users as to how the GERS estimates are derived. GERS 2016-17 has reintroduced the detailed spending datasets, which allow users to see individual lines of spend allocated to Scotland. The Scottish Government is also continuing to work with HM Treasury to improve the information available to users on the methodologies used in assigning expenditure to Scotland in the CRA.

Alternative presentations of results

- Present revenue and spend by UK Government, Scottish Government, and Local Government sub-totals;

- Report non-identifiable expenditure separately, and provide greater narrative explaining what it is included in each line;
- More detail on the split of spending between devolved and reserved spending, particularly for categories which attract both devolved and reserved spending.
- Provide results consistent with GAAP;
- Provide an industry level breakdown of revenue where possible; e.g. income tax, corporation tax;

Scottish Government response

GERS 2016-17 has introduced a new Table 3.2, on expenditure, which provides a breakdown of spending by Scottish Government, Scottish local government, public corporations, and other UK government bodies. A split of spending into identifiable and non-identifiable has been made available on the GERS website. The detailed spending database has also been reintroduced, which allows users to see identifiable and non-identifiable expenditure separately. The Scottish Government recognizes that this format is not necessarily accessible for all users, and will continue to consider how to make this information available to users.

GERS is produced to be consistent with the UK Public Sector Finances. Under EU law, the UK Public Sector Finances are compiled in accordance with the standards set out in the European System of Accounts (ESA 2010). The Scottish Government separately publishes consolidated accounts in accordance with IFRS as adopted by the EU and as interpreted and adapted by the 2015-16 Government Financial Reporting Manual. The figures in GERS are consistent with these figures, but have some presentational differences. Table A.10 in GERS provides a reconciliation to Scottish Government consolidated accounts, which are available at the link below:

<http://www.gov.scot/Topics/Government/Finance/18127/Documents>

Statistics on tax paid by industry for the UK are published by HMRC. These tend to only have cover a small number of taxes, such as corporation tax and pay-as-you-earn income tax. They are also only available with a longer time lag. For example, the latest industrial figures for pay-as-you-earn income tax relate to 2014-15. The Scottish Government recognizes that this is of interest to a number of users, and will discuss with SESCOG at its next meeting to consider the priority of this work in the wider development programme.

Additional analyses

- Use outturn data from newly devolved revenues to improve historical estimates;
- Provide estimate of spending in Scotland for defence spending;
- Update the historic GERS estimates, and provide estimates for years prior to 1980.

Scottish Government response

GERS seeks to use the best available estimates of revenue for Scotland. Where outturn data from newly devolved taxes suggests that historical estimates could be improved, this will be considered. For example, the devolution of landfill tax to Scotland in 2015-16 led to the revision of historical estimates of landfill tax for Scotland.

The issue of estimating defence spending in Scotland was raised at the last meeting of SESCOG. The Scottish Government recognizes that this is of interest of users, and will continue to consider how this could be achieved.

The historic estimates of GERS were last updated in May 2014. There have been a number of changes to the UK Public Sector Finances since this point, including the incorporation of ESA 2010. The Scottish Government recognizes that this is of interest to a number of users, and will discuss with SESCOG at its next meeting to consider the priority of this work in the wider development programme.

Next steps

GERS 2016-17 was published on Wednesday 23 August 2017. The results of the user consultation will be reported to the next Scottish Economic Statistics Consultants Group (SESCG) meeting, which is due to be held in late 2017. The group will discuss the Scottish Government's work plan for 2017-18 and 2018-19, and will consider the plan for developing statistics on public finances over the coming year.

Summary of respondents

Prefer not to be named: 5

Academic

Institute for Fiscal Studies
Fraser of Allander Institute

Individuals

Dr Andrew Conway

Think tanks/consultants

Business for Scotland
Richard Marsh, 4-Consulting

Annex A – Consultation responses

Three respondents to the consultation gave their permission for the Scottish Government to publish their responses in full. These are shown below.

Respondent 1 – Dr Andrew Conway

Q1. How useful do you find the GERS publication?

1 Not at all 2 3 4 5 Very useful

What do you find most/least useful about the publication?

Placing Scotland's public finances on wider context.

Q2. Which figures do you use from the publication:

	Not at all	Somewhat	A lot
Net fiscal balance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Current budget balance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Detailed revenue breakdown	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Detailed spending breakdown	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

What do you feel is missing from the GERS publication?

Public borrowing figures, primarily UK but also Scottish and local Government.

Q3: Do you agree with the recommendation to align the estimate of Scotland's illustrative geographical share of North Sea revenue in GERS with that used by HMRC and the ONS? What further analysis or information could be used to judge the change?

From what I have read this seems sensible

Q4: Do you agree with the proposal to align the GERS presentation with that used by the OBR and ONS? If not, how would you like the results to be presented?

Having two "Other taxes..." line items struck me as odd.

Q5: Do you find the new presentation on devolved powers helpful? Are there any items which you feel should/should not be included?

Supportive

Q6: What are users views on the impact of the change of the move to August? What further information on the change would you like?

I'm OK with the change.

Q7: Do you have any further comments on the methodology, commentary, or presentation of results in GERS, or any other comments?

Would it be feasible to breakdown total spending and revenue totals into UK, Scottish Government and Local Government sub-totals?

Respondent 2 – Fraser of Allander Institute

Q1. How useful do you find the GERS publication?

1 Not at all 2 3 4 5 Very useful

What do you find most/least useful about the publication?

GERS provides the most comprehensive assessment of Scotland's public finances under the current constitutional settlement. It is therefore a vital source of information to help inform the debate on Scotland's economy, public services and constitutional change. In recent years, one of the most useful parts of the GERS publication has been the work to improve the presentation of the data around the new tax powers of the Scottish Parliament.

Q2. Which figures do you use from the publication:

	Not at all	Somewhat	A lot
Net fiscal balance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Current budget balance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Detailed revenue breakdown	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Detailed spending breakdown	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

What do you feel is missing from the GERS publication?

Q3: Do you agree with the recommendation to align the estimate of Scotland's illustrative geographical share of North Sea revenue in GERS with that used by HMRC and the ONS? What further analysis or information could be used to judge the change?

Yes - this seems a sensible arrangement. Publishing a variety of different models is unlikely to be helpful and may only confuse things.

Q4: Do you agree with the proposal to align the GERS presentation with that used by the OBR and ONS? If not, how would you like the results to be presented?

Yes - this is a very welcome improvement and clears up one of the final limitations of the previous publication format of GERS.

Q5: Do you find the new presentation on devolved powers helpful? Are there any items which you feel should/should not be included?

Yes. However, under the new fiscal framework they only present one side of the equation if someone is looking to get an understanding of how the new fiscal powers for the Scottish Parliament are performing. What is crucial is how the equivalent block grant adjustments are changing. It would seem especially odd not to include these particularly given that GERS is the authoritative source of information on Scotland's public finances.

In our view therefore, in order to obtain a fully accurate picture of Scotland's public finances an equivalent table with the relevant BGAs is essential.

Q6: What are users views on the impact of the change of the move to August? What further information on the change would you like?

Bringing publication as near as possible to the financial year in question can only be a good thing. Therefore the move to August is welcome.

Q7: Do you have any further comments on the methodology, commentary, or presentation of results in GERS, or any other comments?

In recent months there has been considerable debate about how GERS is produced and how it should be interpreted. Whilst there are good Q&A responses on the website, it would be helpful if the Scottish Government could put forward a robust clarification of how the statistics are produced, who produces them, why they are produced in this way, and what they can be used to conclude (and what they cannot be used to conclude).

This should help ensure that the debate returns to the interpretation of the numbers themselves rather than how they are produced.

Respondent 3 – Business for Scotland

Q1. How useful do you find the GERS publication?

1 Not at all 2 3 4 5 Very useful

What do you find most/least useful about the publication?

GERS gives a good starting point for researchers looking to analyse Scotland's finances. As Scotland is not an independent nation we do not have the reporting structures, nor exporting information nor data from a Scotland specific Treasury and so the data has many flaws but is still better than the data available for other regions of the UK. As there are many costs applied to GERS from the UK Government spending apportioned in different ways it is useful in determining how Scotland finances fare as part of the UK. It does not however give anything but a highly generalist hint as to how Scotland's finances would perform as an independent nation - which although it was never intended to do so, appears to be the main use of the data in today's political environment. The sources of data are not robust enough - the key need of the political economic debate is data upon which to base decisions and will also lend itself to credible modeling based on policy scenarios and GERS is a long way from being able to be used for that purpose. GERS needs a more detailed analysis of what Scotland's GDP and taxation revenues are. For example, VAT is estimated, as is corporation tax, but with many oil and gas workers living in the rest of the UK but commuting to work in Scotland there is a lack of clarity as to where PAYE and NI revenues for such workers should be credited as a revenue. Were Scotland an independent nation then such figures would be available and oil workers and finance workers would pay their taxes where they work, and not where they live. Therefore Scottish employment related taxation underestimates what should be considered Scottish and what should not.

Q2. Which figures do you use from the publication:

	Not at all	Somewhat	A lot
Net fiscal balance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Current budget balance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Detailed revenue breakdown	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Detailed spending breakdown	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

What do you feel is missing from the GERS publication?

There seems to be a move towards more powers for Scotland and the other UK regions and ever growing support for a federalist model - the data required to accurately measure the impact of a federalist policy approach does not exist and so GERS need a more robust set of data collection systems that mirror those of an independent nation or a federalist model. GERS should also clearly point out on a departmental accounting on a line by line basis what expenditure is "in Scotland and what expenditure is spent in the rest of the UK or abroad on Scotland's behalf". Such reporting structures would allow for data that would explain the impact of full fiscal autonomy, should federalism or Devo Max become a political reality.

Q3: Do you agree with the recommendation to align the estimate of Scotland's illustrative geographical share of North Sea revenue in GERS with that used by HMRC and the ONS? What further analysis or information could be used to judge the change?

In principle the data produced for all GERS calculations should be produced in Scotland and verified by independent and impartial experts. More powers requires more robust data and that requires clear reporting lines between the civil servants, statisticians and accountants involved in the process to the Scottish Government. A federal approach requires policy makers to make policies that differ from the UK Government and reporting of the impact of such different approaches will be highly politicised and so the Treasury or HMRC, given the opportunity for political interference, must not control the data collection.

Just as GERS states with and without a geographical share of oil and gas revenues, it should also include a line on with and without the 1999 reclassification of Scotland's maritime border.

Q4: Do you agree with the proposal to align the GERS presentation with that used by the OBR and ONS? If not, how would you like the results to be presented?

We agree with the proposal - however the differences must be available for comparison in the official publication so that people do not draw conclusions on changes that are administrative only.

Q5: Do you find the new presentation on devolved powers helpful? Are there any items which you feel should/should not be included?

The new presentation is helpful and covers all the required points.

Q6: What are users views on the impact of the change of the move to August? What further information on the change would you like?

The move to reporting in August will allow for more accuracy in the adjusted figures and that has to be welcomed.

Q7: Do you have any further comments on the methodology, commentary, or presentation of results in GERS, or any other comments?

GERS is an important publication, but to protect its reputation and that of those that compile it, the methodology must change to be more robust, more devolved and therefore impartial as information compiled outside Scotland has parameters that can be arbitrary such as what estimated level of expenditure to apply to Scotland when there is no accurate data to specify the amount. UK regional accounts are not fit for decentralised decision making so any move or indeed any debate on federalism or regional devolution is lacking in data. All regional accounts should present the same detailed level of information that we have suggested for GERS including regional deficits in currency terms not just percentages, this will allow for more direct comparisons.

GERS should also state a percentage of data in revenues and expenditure that is estimated and apportioned to Scotland rather than completely recorded in Scotland to enhance readers' understanding of the high level of estimation involved in the current collection methodology.