

GOVERNMENT
EXPENDITURE & REVENUE
SCOTLAND 2017-18

AUGUST 2018



Scottish Government
Riaghaltas na h-Alba
gov.scot

GOVERNMENT
EXPENDITURE & REVENUE
SCOTLAND 2017-18

AUGUST 2018

© Crown copyright 2018



This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.scot

Any enquiries regarding this publication should be sent to us at
The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-78781-154-6

Published by The Scottish Government, August 2018

CONTENTS

Summary		2
Preface		9
Chapter 1	Public Sector Revenue	13
Chapter 2	North Sea Revenue	21
Chapter 3	Public Sector Expenditure	25
Chapter 4	Devolved Revenue and Expenditure	39
Annex A	Supplementary Tables	45
Annex B	Revisions	53
Annex C	List of Abbreviations	61
Annex D	Glossary	62

SUMMARY

Introduction

- Government Expenditure and Revenue Scotland (GERS) addresses three questions about Scotland's public sector finances under the current constitutional arrangements:
 - What revenues were raised in Scotland?
 - How much did the country pay for the public services that were consumed?
 - To what extent did the revenues raised cover the costs of these public services?
- GERS is a National Statistics publication. It is assessed by the independent UK Statistics Authority to ensure that it meets the Code of Practice for Official Statistics.
- The estimates in GERS are consistent with the UK Public Sector Finances published in July 2018 by the Office for National Statistics (ONS). 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

- Table S.1 shows two estimates of Scotland's public sector revenue: (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 non-North Sea revenue in 2017-18 was £58.6 billion. As a percentage of GDP, non-North Sea revenues increased to 37.5%.
- Non-North Sea revenue grew by 3.6% in 2017-18. This relatively strong growth is driven by increased national insurance contributions and corporation tax revenue. Revenue growth in the UK as a whole was slightly slower (3.1%), due to the reclassification of English housing associations into the private sector in November 2017 which reduces UK revenue and expenditure in 2017-18. Excluding the impact of the reclassification, UK revenue grew at 3.5%. Scottish housing associations continue to be classified as part of the public sector, although ONS are expected to review this classification later this year.
- Including an illustrative geographical share of the North Sea, total Scottish revenue was £60.0 billion, an increase of 5.4% from 2016-17. This is faster than the growth in non-North Sea revenue, reflecting the increase in Scottish North Sea revenue from £266 million in 2016-17 to £1,327 million in 2017-18.
- Scotland's non-North Sea revenue was 7.8% of total UK revenue in 2017-18. Including an illustrative geographical share of the North Sea, Scottish revenue was 8.0% of the UK total.

Table S.1: Total Revenue: 2013-14 to 2017-18

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
Scotland – Excluding North Sea revenue	51,089	52,959	53,942	56,608	58,630
Scotland – Including North Sea revenue (geographical share)	54,535	54,336	53,993	56,874	59,957
	As % of UK total revenue				
Scotland – Excluding North Sea revenue	8.1%	8.0%	7.9%	7.8%	7.8%
Scotland – Including North Sea revenue (geographical share)	8.6%	8.2%	7.9%	7.8%	8.0%
	As % of GDP				
Scotland – Excluding North Sea revenue	36.3%	36.1%	36.6%	37.3%	37.5%
Scotland – Including North Sea revenue (geographical share)	34.3%	33.9%	33.7%	34.7%	35.2%
<i>UK – including all North Sea revenue</i>	<i>35.7%</i>	<i>35.6%</i>	<i>35.8%</i>	<i>36.5%</i>	<i>36.5%</i>

- Table S.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 the UK average by £533 in 2017-18, and has been consistently lower in earlier years.
- 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, including an illustrative geographical share of North Sea revenue, revenue per person was £306 lower than the UK average.

Table S.2: Revenue per person: Scotland and UK 2013-14 to 2017-18

	£ per person				
	2013-14	2014-15	2015-16	2016-17	2017-18
Scotland					
Excluding North Sea revenue	9,580	9,892	10,025	10,464	10,808
Including North Sea revenue (geographical share)	10,227	10,149	10,034	10,513	11,052
UK					
Excluding North Sea revenue	9,826	10,170	10,490	11,046	11,340
Including North Sea revenue	9,896	10,196	10,488	11,047	11,358
Difference (Scotland minus UK)					
Excluding North Sea revenue	-245	-279	-465	-582	-533
Including North Sea revenue (geographical share)	331	-48	-454	-534	-306

Scotland's spending

- Table S.3 below shows estimates of public spending for Scotland and the UK. Expenditure increased from £71.4 billion in 2016-17 to £73.4 billion in 2017-18. Scotland's share of UK expenditure is relatively stable over the period, at around 9.2%.
- Expenditure as a share of GDP excluding the North Sea fell by 0.2 percentage points in Scotland in 2017-18, compared to a 0.4 percentage point fall in the UK. Spending growth in Scotland has been higher than the UK as a whole, primarily driven by increased spending by Local Government in Scotland and the impact of removing English housing associations from the UK total.
- Including an illustrative geographical share of the North Sea, expenditure as a share of GDP fell in 2017-18. This reflects an increase in North Sea GDP, which grew by 15% in 2017-18, helped by rising oil and gas prices.

Table S.3: Total Public Sector Expenditure: 2013-14 to 2017-18					
	2013-14	2014-15	2015-16	2016-17	2017-18
Scotland - £ millions	67,767	68,640	69,492	71,354	73,398
Share of UK (%)	9.2%	9.1%	9.2%	9.2%	9.3%
	As % of GDP				
Scotland - excluding North Sea	47.5%	46.3%	46.6%	46.6%	46.4%
Scotland - including geographic share of North Sea	42.7%	42.8%	43.3%	43.6%	43.1%
UK – including all North Sea	41.2%	40.5%	39.6%	38.8%	38.4%

- Table S.4 below shows estimates of 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 S.4: Total Expenditure per Person: Scotland and UK 2013-14 to 2017-18					
	£ per person				
	2013-14	2014-15	2015-16	2016-17	2017-18
Scotland	12,708	12,821	12,914	13,190	13,530
UK	11,425	11,594	11,599	11,742	11,954
<i>Difference (Scotland minus UK)</i>	1,283	1,226	1,316	1,448	1,576

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 therefore excludes public sector capital investment. 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 S.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 around 6 percentage points larger. In 2017-18, the Scottish current budget balance excluding the North Sea improved by 0.3 percentage points, whilst the UK improved by 0.4 percentage points to move into balance. When including 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 2016-17 and 2017-18 Scotland's current budget balance including the North Sea revenue improved by 0.9 percentage points.

Table S.5: Current Budget Balance: Scotland and UK 2013-14 to 2017-18

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
Scotland - Excluding North Sea	-13,871	-13,092	-12,865	-10,700	-10,633
Scotland - Including North Sea (geographical share)	-10,426	-11,715	-12,815	-10,433	-9,306
<i>UK</i>	-67,524	-53,877	-38,385	-7,214	1,256
	As % of GDP				
Scotland - Excluding North Sea	-9.9%	-8.9%	-8.7%	-7.1%	-6.8%
Scotland - Including North Sea (geographical share)	-6.6%	-7.3%	-8.0%	-6.4%	-5.5%
<i>UK</i>	-3.8%	-2.9%	-2.0%	-0.4%	0.0%

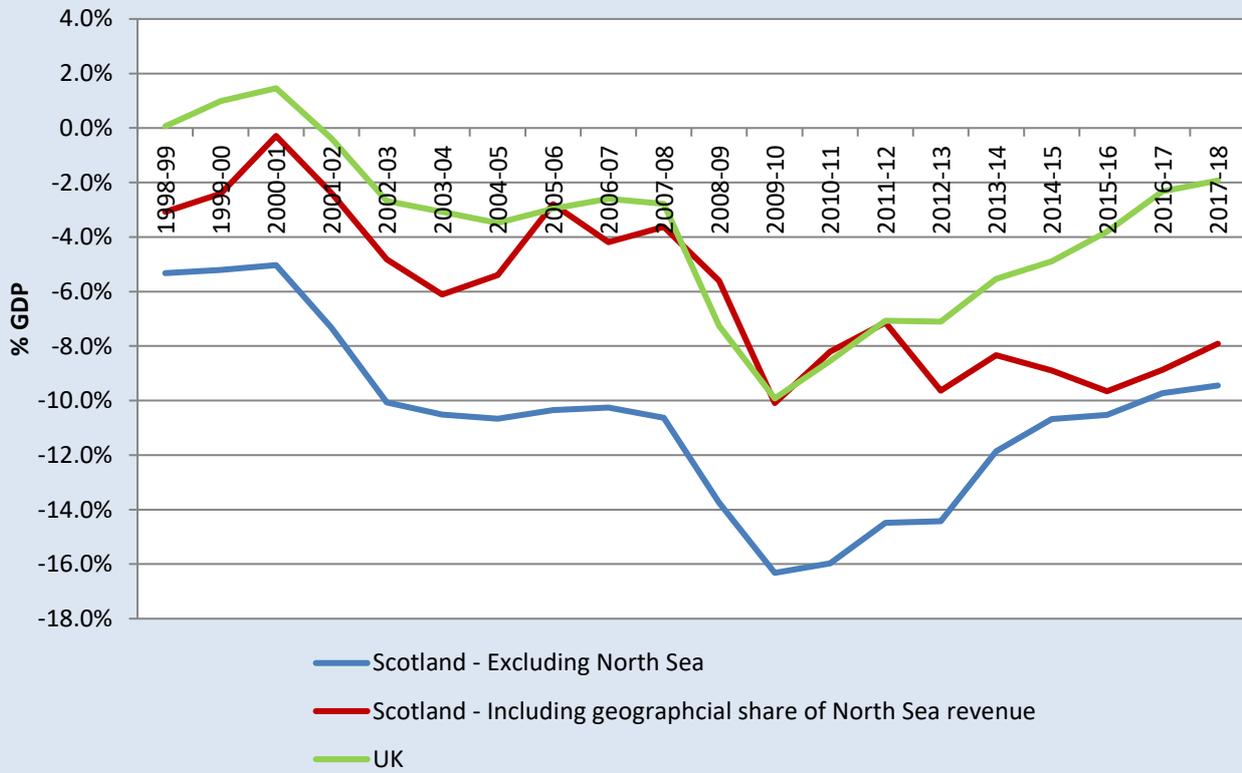
- The net fiscal balance measures the difference between total public sector expenditure and public sector revenue. It therefore includes public sector capital investment, such as the construction of roads, hospitals, and schools, which yields benefits not just to current taxpayers but also to future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

Table S.6: Net Fiscal Balance: Scotland and UK 2013-14 to 2017-18

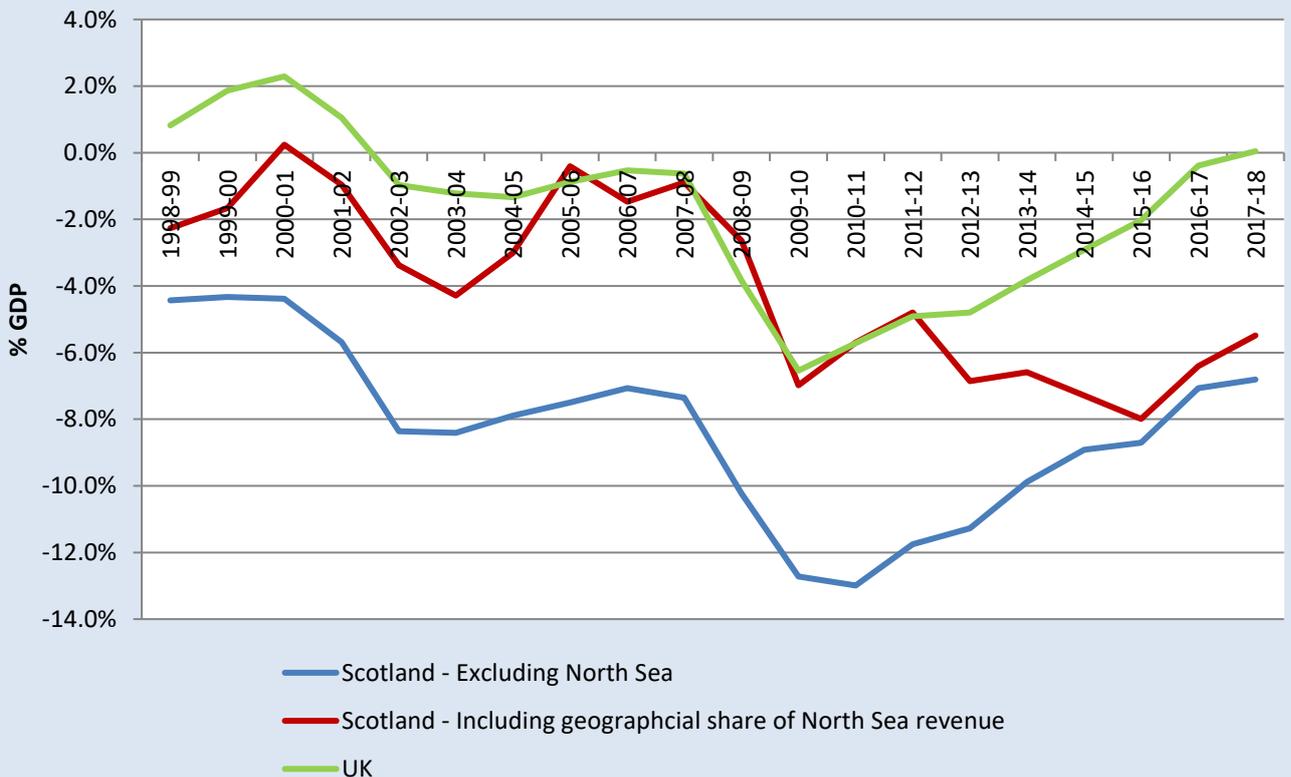
	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
Scotland - Excluding North Sea	-16,677	-15,682	-15,549	-14,746	-14,768
Scotland - Including North Sea (geographical share)	-13,232	-14,304	-15,499	-14,480	-13,441
<i>UK</i>	-98,219	-90,491	-72,459	-45,686	-39,357
	As % of GDP				
Scotland - Excluding North Sea	-11.9%	-10.7%	-10.5%	-9.7%	-9.5%
Scotland - Including North Sea (geographical share)	-8.3%	-8.9%	-9.7%	-8.9%	-7.9%
<i>UK</i>	-5.5%	-4.9%	-3.8%	-2.3%	-1.9%

- The net fiscal balance tends to move in the same way as the current budget balance, but is approximately 3 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.
- The charts overleaf show the estimates of the current budget balance and net fiscal balance for Scotland and the UK since 1998-99. Consistent with other economic statistics, tables in the accompanying spreadsheets contain figures back to 1998-99.

Net Fiscal Balance: Scotland & UK 1998-99 to 2017-18



Current Budget Balance: Scotland & UK 1998-99 to 2017-18



Box S.1: GERS Frequently Asked Questions

The Scottish Government receives many questions from users about GERS. Below is a summary of some of the most frequently asked questions and their answers.

Q: Is GERS a description of the whole Scottish economy?

A : No. GERS reports only on public sector revenue and expenditure. Although these may be affected by economic performance, GERS does not directly report on Scotland's wider economy. If users are interested in the measurement of the economy as a whole, they should examine other economic statistics products, such as the quarterly Gross Domestic product figures (www.gov.scot/gdp) or Quarterly National Accounts Scotland (QNAS, www.gov.scot/snap). These publications provide estimates of real terms growth in the economy, and GDP in cash or nominal terms and its components.

Q: What is the public sector?

The public sector contains all government bodies, and all bodies which are controlled by government. This includes publicly controlled businesses, such as Scottish Water and the Bank of England. Scottish housing associations are included in the public sector in the years covered by GERS, although English housing associations were reclassified to the private sector in November 2017. In GERS, the Scottish Government, Scottish Local Authorities, and the public corporations they control, such as Scottish Water and Scottish housing associations, are all considered to be Scottish public sector bodies. All other UK public sector bodies are described as 'Other UK Government bodies'.

Q: Who produces GERS?

A: GERS is produced by Scottish Government statisticians. It is designated as a National Statistics product, which means that it is produced independently of Scottish Ministers and has been assessed by the UK Statistics Authority as being produced in line with the Code of Practice for Official Statistics. This means the statistics have been found to meet user needs, to be methodologically sound, explained well and produced free of political interference.

Q: How do you decide on changes that are made to GERS?

A: In line with the Code of Practice for Official Statistics, changes are only made to GERS after consultation and discussion with users. This includes discussion at the annual Scottish Economic Statistics Consultation Group,¹ which brings together users of economic statistics from industry, academia and the wider public sector. Public consultation exercises, open to all, are also carried out to allow all users of GERS to comment on planned and suggested changes to GERS.

Q: Do you use company headquarters to assign corporation tax or taxes like VAT?

A: No. Corporation tax on trading profits is estimated on a company-by-company basis, depending on the economic activity each company has in Scotland, not location of company headquarters. VAT is a consumption tax, and is therefore estimated based on purchases that are made in Scotland, rather than the location of a company's head office.

¹ <http://www.gov.scot/Topics/Statistics/Browse/Economy/ScotStat/Meetings>

Q: How do taxes from the whisky industry feature in the GERS estimates?

A: Like any industry, the whisky industry's activity in Scotland generates tax revenue through a range of sources, such as corporation tax on profits, income tax and national insurance contributions on staff earnings, and non-domestic rates payments on business premises. These are all captured in the estimates of Scottish public sector receipts reported in GERS.

In addition, whisky consumed in the UK is subject to VAT and alcohol duty. This is assigned to Scotland on the basis of how much is consumed in Scotland. Whisky which is exported does not generate UK VAT or alcohol duty. There is no export duty in the UK.

Q: What are accounting adjustments and why do they feature in the GERS estimates?

A: Accounting adjustments are used to present revenue and expenditure on a National Accounts basis, the international reporting standards used by governments. They normally reflect non-cash items, such as depreciation or pensions liabilities. In general, these adjustments do not affect the net fiscal balance or current budget balance, as they are added to both revenue and expenditure. In 2017-18, accounting adjustments added £4.7 billion to the estimate of Scottish public sector revenue and £5.1 billion to the estimate of Scottish public sector spending. Comparable accounting adjustments are also contained in the estimates of UK public sector spending and revenue. For more information on accounting adjustments and where they appear in the revenue tables, see Table A.9.

Q: Is spending that does not occur in Scotland included in the estimates of Scottish public spending?

A: Yes. GERS aims to capture all spending that benefits the residents of Scotland. This means it assigns Scotland a share of some expenditure which takes place outside Scotland. It also means that it does not assign to Scotland expenditure which occurs in Scotland but benefits non-Scottish residents.

For example, expenditure on embassies occurs outside Scotland, but provides benefits to Scottish residents and companies, such as Scottish tourists requiring consular services. As such, Scotland is allocated a population share of this expenditure in GERS. Likewise, spending on museums in Scotland benefits visitors from the rest of the UK, so not all of this spending is assigned to Scotland in GERS.

Q: Why does GERS refer to public sector revenues rather than taxes?

A: Public sector revenue covers all income received by the public sector. Although this is mostly taxes, there are some forms of revenue which are not taxes. These include income made by public corporations, such as Scottish Water, or dividend income from companies in which the government holds shares.

PREFACE

This report is the twenty-fifth 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.²

As there are no methodological changes in this year's publication, there has been no public consultation on the GERS publication. However, Scottish Government statisticians are currently consulting on a potential new publication on devolved finances in Scotland. This would be additional to the information provided in GERS. Further information is available at the link below:

<https://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/DevPFSCons18>

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

Recent Statistical Classification Decisions

On 16 November 2017, the ONS announced that registered providers of social housing in England had been reclassified to the private sector, following the passing of The Regulation of Social Housing (Influence of Local Authorities) (England) Regulations 2017. The reclassification was effective immediately, and means that there is a fall in UK public sector revenue (through public corporation gross operating surplus) and capital expenditure in 2017-18, which should be borne in mind when making comparisons between Scotland and the UK in this year.

In Scotland, the Housing (Amendment) (Scotland) Act received royal assent on 6th July 2018. Changes to regulations governing the influence of Local Authorities will be laid before Parliament in September, with the intention that this will lead to the ONS reclassifying registered social landlords in Scotland back to the private sector.

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?

² <http://www.statisticsauthority.gov.uk/>

Revenue

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

In general, the way in which revenue is collected means that 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

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 public sector 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.

Estimates of spending *in* Scotland are used in some Scottish Government publications, such as the Quarterly National Accounts. However, these do not provide a complete measure of spending, as some types of spending, such as welfare spending, are not reported. The Scottish Government is currently reviewing the potential to provide users with estimates of spending *in* Scotland, and information on how this would differ from spending *for* Scotland.

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

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.⁴

The primary data sources used to estimate Scottish public sector expenditure in GERS are Scottish Government accounting data, and HM Treasury's Public Expenditure Statistical Analyses⁵ and the supporting Country and Regional Analysis (CRA).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 format and statistics providing a consistent time series of Scotland's public sector finances from 1998-99 to 2017-18.

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

Comparisons to other countries and regions of the UK

Comparisons of Scottish revenue and expenditure with other parts of the UK are no longer included in GERS, as due to the earlier publication timetable data are not available to produce figures for 2017-18 for each country and region of the UK. Users who are interested in these comparisons are advised to use the Country and Regional Public Sector Finances publication published by the ONS. A comparison between the ONS and GERS figures for Scotland is provided in Box 1.2.

<https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/articles/countryandregionalpublicsectorfinances/2016to2017>

International comparisons

The Scotland figures in the main tables in GERS are produced to be comparable to the UK figures presented in the ONS Public Sector Finances and the OBR Economic and Fiscal Outlook. These report for the public sector as a whole on a financial year basis. In contrast, international organizations such as the European Commission and the International Monetary Fund (IMF) report countries' finances on a calendar year basis and for the government sector only. Figures for Scotland on this basis are available in Table A.4.

⁴ 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.

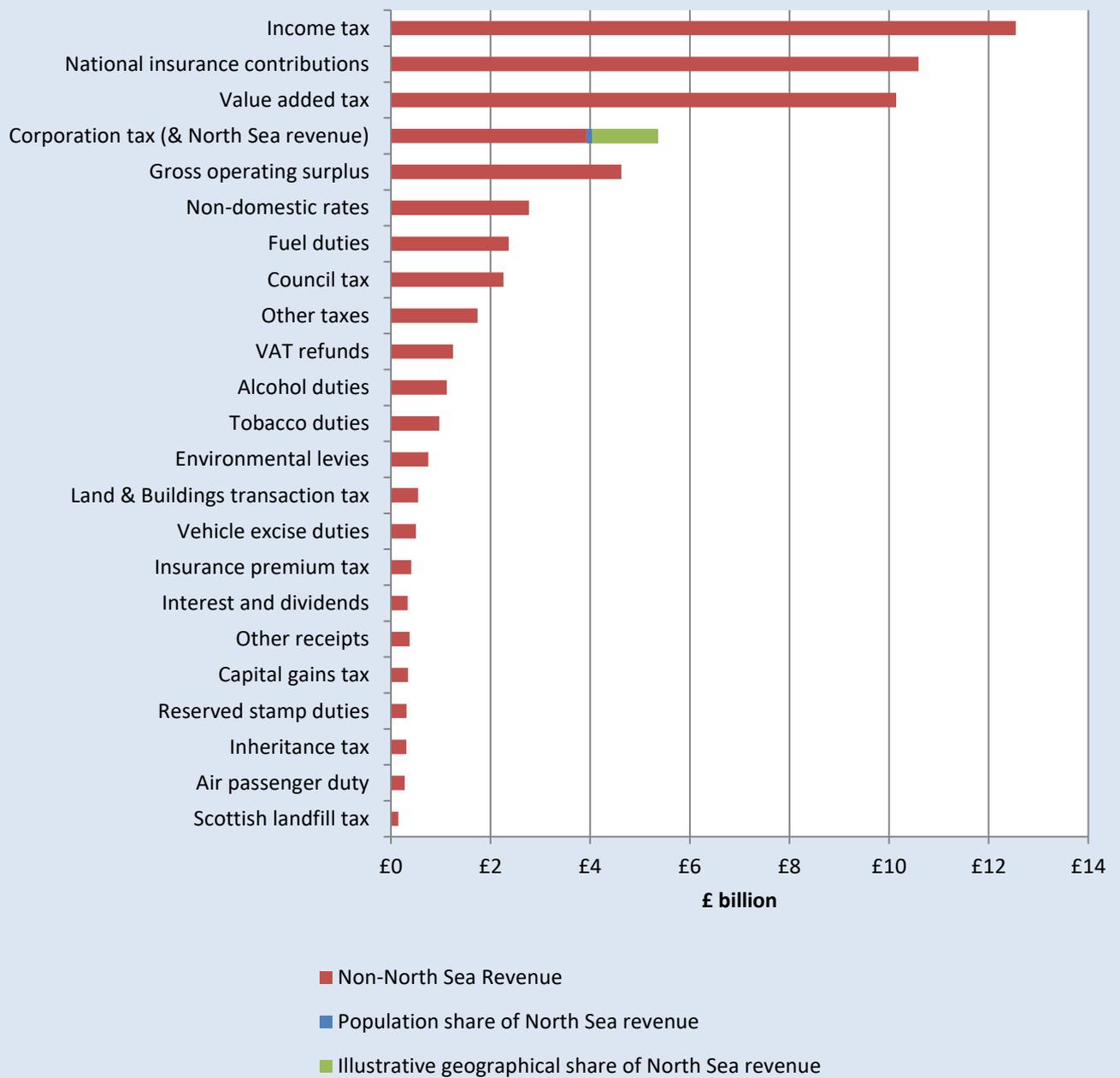
⁵ <https://www.gov.uk/government/collections/public-expenditure-statistical-analyses-pesa>

⁶ <https://www.gov.uk/government/collections/country-and-regional-analysis>

⁷ <https://www.gov.scot/Topics/Statistics/Browse/Economy/QNAS/Publications>

CHAPTER 1: PUBLIC SECTOR REVENUE

Total Public Sector Revenue: Scotland 2017-18



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 revenue receivable from Scotland. GERS therefore uses a number of different methodologies to apportion revenue to Scotland. These are discussed in the methodology paper on the GERS website.⁸

Following the implementation of the Scotland Act 2012 and Scotland Act 2016, an increasing amount of revenue is being devolved to the Scottish Parliament, and direct Scottish measures of these revenues will be available. To date, landfill tax, property transaction taxes, and non-savings non-dividend income tax have been devolved. Chapter 4 provides more information on current and future devolved taxes.

2017-18 marks the first year of the operation of the new Scottish Income Tax powers, where the Scottish Government has the power to set the rates and bands for income tax for Scottish residents.⁹ HMRC published its first estimate of income tax collected on this basis in July 2017, which relates to 2016-17.¹⁰ The information collected by HMRC is presented differently from the GERS presentation, which is consistent with the UK Public Sector Finances. The Scottish Government is currently reviewing the latest income tax data provided by HMRC and how best to incorporate it into GERS. Further information is provided in Box 1.1.

For taxes where there is no direct measure of Scottish revenue, 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. Table A.5 in Annex A provides analysis of the confidence intervals around revenue estimates based on survey data.

GERS reports tax and non-tax revenue separately. Non-tax revenues are primarily non-cash items such as capital consumption included for accounting purposes in gross operating surplus, and the operating surplus of public corporations such as Scottish Water. These are discussed in more detail below.

Estimated Revenue 2017-18

Table 1.1 reports estimated public sector revenue in Scotland and the preliminary outturn data for the UK in 2017-18. 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. Income tax, national insurance contributions, and value added tax account for around two thirds of

⁸ <https://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/Methodology>

⁹ This power covers only non-savings and non-dividend income tax, and does not allow the Scottish Government to change the personal allowance.

¹⁰ <https://www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2017-to-2018>

1 Public Sector Revenue

total non-North Sea revenue. In order to report revenue on a National Accounts basis, the international reporting standard used by governments, a number of accounting adjustments are included in the total revenue estimate. These are primarily symmetric adjustments that also form part of expenditure, and therefore have little impact on the net fiscal balance.

Table 1.1: Revenue: Scotland and UK 2017-18				
	Scotland		UK	Scotland as % of UK
	£ million	% of total non-North Sea taxes	£ million	
Income tax	12,544	23.5%	180,700	6.9%
National insurance contributions	10,592	19.9%	133,049	8.0%
Value added tax	10,146	19.0%	125,127	8.1%
Corporation tax (excluding North Sea)	3,930	7.4%	56,403	7.0%
Fuel duties	2,361	4.4%	27,878	8.5%
Non-domestic rates	2,774	5.2%	30,141	9.2%
Council tax	2,261	4.2%	32,178	7.0%
VAT refunds	1,245	2.3%	13,786	9.0%
Capital gains tax	341	0.6%	7,879	4.3%
Inheritance tax	311	0.6%	5,287	5.9%
Reserved stamp duties	317	0.6%	16,569	1.9%
Scottish Land & Buildings transaction tax	546	1.0%	546	100.0%
Scottish landfill tax	149	0.3%	149	100.0%
Air passenger duty	275	0.5%	3,360	8.2%
Tobacco duties	972	1.8%	8,766	11.1%
Alcohol duties	1,122	2.1%	11,586	9.7%
Insurance premium tax	408	0.8%	5,943	6.9%
Vehicle excise duties	503	0.9%	6,378	7.9%
Environmental levies	752	1.4%	6,514	11.5%
Other taxes ¹	1,742	3.3%	20,848	8.4%
Total Non-North Sea taxes	53,292	100%	693,087	7.7%
North Sea taxes²				
Population share	98		1,192	8.2%
Geographical share	1,327		1,192	111.3%
Other revenue				
Interest and dividends	339		7,149	4.7%
Gross operating surplus	4,625		45,901	10.1%
Other receipts	373		2,774	13.4%
Total revenue				
Excluding North Sea	58,630		748,911	7.8%
Including population share of the North Sea	58,728		750,103	7.8%
Including illustrative geographical share of the North Sea	59,957		750,103	8.0%
<i>of which: revenue accounting adjustments</i>	4,667		50,540	9.2%

¹ A description of the other taxes line is provided in the detailed methodology paper on the GERS website.

² As the receipts for UK Petroleum Revenue Tax are negative, the Scottish share appears unusually high in 2017-18. This is discussed in more detail in Chapter 2.

Box 1.1: Developments in Scottish income tax data

2017-18 was the first year of operation of the new Scottish Income Tax powers, introduced in Scotland Act 2016. These gave the Scottish Government the power to vary the tax rates and bands on non-savings and non-dividend income tax. This covers around 90% of income tax. Income tax on savings (around 1% of income tax receipts) and dividends (around 9% of receipts) remains reserved to the UK Government.

HMRC remains responsible for the collection of income tax in Scotland. In its July 2018 Annual Report, HMRC has published the first figure for non-saving non-dividend income tax raised in Scotland in 2016-17, which is £10.7 billion. HMRC will publish data for 2017-18 in summer 2019 as part of its annual trust statement. No comparable outturn data are available for years prior to 2016-17.

Use of income tax data in GERS

The publication of this data represents an important development in the availability of Scottish income tax data. It is the first time that an outturn figure for the revenue raised by non-savings and non-dividend income tax in Scotland has been produced by HMRC.

At present, the estimate of Scottish income tax receipts used in GERS is based on the Survey of Personal Incomes, a representative survey of tax payers currently available for the years to 2015-16.

For this edition of GERS, the income tax figures in Chapter 1 of GERS remain based on the Survey of Personal Incomes. Although both the Survey of Personal Incomes and the latest HMRC Scottish Income Tax data suggest that Scotland's share of UK income tax is currently around 6.9%, further work is required to integrate the new HMRC data. This is because the HMRC Scottish Income Tax data is on a different basis from the headline income tax figures reported in GERS.

Firstly, the HMRC data only cover non-saving non-dividend income, whilst GERS income tax covers all income tax, and so includes tax from savings and dividend income. Secondly, to ensure consistency with the UK public finances, GERS reports income tax at the time it is paid, whereas the HMRC measure shows income tax at the time the income was earned. For pay-as-you-earn (PAYE) income tax there is little difference between the two, but for self-assessment the difference can be much larger.

The figures in Chapter 4, which focus on non-savings and non-dividend income tax on a liabilities basis, have incorporated the HMRC income tax figure for 2016-17.

The Scottish Government will continue to review the methodology for estimating Scottish income tax receipts, in consultation with users over the coming years.

Unlike the expenditure accounting adjustments, which are shown in a separate expenditure line, the revenue accounting adjustments are included within different revenue lines, as is set out in Table A.9 in Annex A. In order to aid transparency, a revenue accounting adjustments line is shown at the bottom of Table 1.1 and 1.4. This is a sub-total of revenue, and is not additional to the revenue totals reported in these tables.

Total public sector non-North Sea revenue in Scotland was estimated to be £58.6 billion in 2017-18. This is equivalent to 7.8% of UK total non-North Sea current revenue which is

0.4 percentage points lower than Scotland's share of the UK population.¹¹ In general, Scotland's share of most large revenues is close to either its population or GDP share. However, there are some exceptions to this, discussed below.

Revenues where Scotland's share of UK revenue is relatively low are those associated with property or assets, such as capital gains tax (4.3%), and inheritance tax (5.9%). This reflects the fact that properties and assets in Scotland tend to have lower values than the UK average.¹² Scotland's share of income tax (6.9%) is also relatively low. In part, this reflects the shifting of income tax onto higher earners, through the introduction of the additional rate of income tax and increases in the personal allowance. Scotland has relatively few additional rate tax payers, with only around 5% of the UK total. Scotland also has a relatively low share of interest and dividend revenue. This reflects the fact that the Scottish Government receives proportionally less income from student loans, as the use of such loans is lower in Scotland.

Revenues where Scotland has a relatively large share include non-domestic rates (9.2%), and gross operating surplus (GOS), which is the surpluses of public corporations. Scotland is estimated to generate approximately 10.1% of UK public sector GOS, higher than Scotland's population share. Scotland's GOS includes 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.¹³ Scotland's estimated share of UK GOS has increased compared to the figures published in GERS 2016-17 due to the removal of English housing associations from the UK total from November 2017, whilst the corresponding Scottish housing associations remain classified as part of the public sector.

Scotland tends to also have relatively high shares of duties associated with tobacco and alcohol. This reflects the greater incidence of smoking in Scotland,¹⁴ and also the fact that Scotland has higher consumption of spirits than the rest of the UK.¹⁵ Scotland also has a relatively high share of 'other receipts', as for the UK this line nets out refunds of non-domestic rates paid by local authorities. Due to the different structure of reporting non-domestic rates in Scotland, these refunds are not separated out for Scotland.

Table 1.2 below provides a time series of Scotland's share of the largest UK revenues. In general, Scotland's share of UK revenue has been declining over time. In part, this reflects the fact that Scotland's share of the UK population has fallen, but to a degree it also reflects the increasing importance of taxes such as capital gains tax and property taxes in the UK public sector finances, where Scotland has a lower share.

¹¹ Scotland's share of the UK population in 2017-18 was 8.2%. Excluding the North Sea, Scotland's share of UK GDP was 7.6% (National Records of Scotland (NRS), Quarterly National Accounts Scotland and UK Economic Accounts).

¹² <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/totalwealthintheworld>

¹³ A more detailed discussion of GOS is provided in the detailed revenue methodology paper on the GERS website.

¹⁴ <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/bulletins/adultsmokinghabitsintheworld/2017>

¹⁵ <https://www.gov.uk/government/statistics/family-food-201617>

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

	per cent of UK revenue				
	2013-14	2014-15	2015-16	2016-17	2017-18
Income Tax	7.2%	7.3%	7.1%	6.9%	6.9%
Corporation tax (excl North Sea)	7.1%	7.0%	6.9%	7.0%	7.0%
National insurance contributions	8.2%	8.2%	8.0%	8.0%	8.0%
Value added tax	8.5%	8.4%	8.3%	8.1%	8.1%
Council tax and non-domestic rates	7.9%	8.1%	8.0%	8.0%	8.1%
All other revenue	8.9%	8.7%	8.5%	8.4%	8.6%
Total current non-North Sea revenue	8.1%	8.0%	7.9%	7.8%	7.8%

Estimated Revenue: Scotland and the UK, 2013-14 to 2017-18

Table 1.4 overleaf shows estimated current revenue in Scotland and the UK between 2013-14 and 2017-18. Non-North Sea revenue in Scotland is estimated to have grown by 14.8% between 2013-14 and 2017-18 in nominal terms, less than for the UK as a whole (18.7%). Around half of this difference is due to slower growth in income tax and VAT in Scotland. More generally, the difference reflects the fact that Scotland's population, and therefore its tax base, has grown more slowly than in the UK as a whole.

The structure of revenue in Scotland is changing with the devolution of additional tax powers. Table 1.4 shows separately the new fully devolved taxes for Scotland, land and buildings transaction tax and Scottish landfill tax. These taxes were only introduced in 2015-16. Prior to 2015-16, Scottish revenue from landfill tax is included within the 'other taxes' line, and Scottish revenue from property transaction tax is included in the 'UK stamp duties' line. From 2015-16 onwards, the 'UK stamp duties' line for Scotland shows estimated receipts from stamp duty on shares and the annual tax on enveloped dwellings.

Table 1.3 shows estimates of revenue per person for Scotland and the UK between 2013-14 and 2017-18. Excluding North Sea revenue, revenue per person in Scotland is lower than in the UK by £533 in 2017-18. Including an illustrative geographical share of North Sea revenue the difference is £306.

Table 1.3: Revenue Per Person: Scotland and UK 2013-14 to 2017-18

	£ per person				
	2013-14	2014-15	2015-16	2016-17	2017-18
Scotland					
Excluding North Sea revenue	9,580	9,892	10,025	10,464	10,808
Including North Sea revenue (population share)	9,651	9,918	10,023	10,465	10,826
Including North Sea revenue (geographical share)	10,227	10,149	10,034	10,513	11,052
UK					
Excluding North Sea revenue	9,826	10,170	10,490	11,046	11,340
Including North Sea revenue	9,896	10,196	10,488	11,047	11,358
Difference (Scotland minus UK)					
Excluding North Sea revenue	-245	-279	-465	-582	-533
Including North Sea revenue (population share)	-245	-279	-465	-582	-533
Including North Sea revenue (geographical share)	331	-48	-454	-534	-306

Box 1.2: Comparison between GERS and ONS 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.

The Office for National Statistics (ONS) now publishes public sector finances for the countries and regions of the UK. The latest estimates covering the period to 2016-17 were published on 1 August 2018. Further information, including details of the ONS methodology, is available at:

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

In most cases, the estimates in GERS and the ONS publication are very similar. ONS, 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.

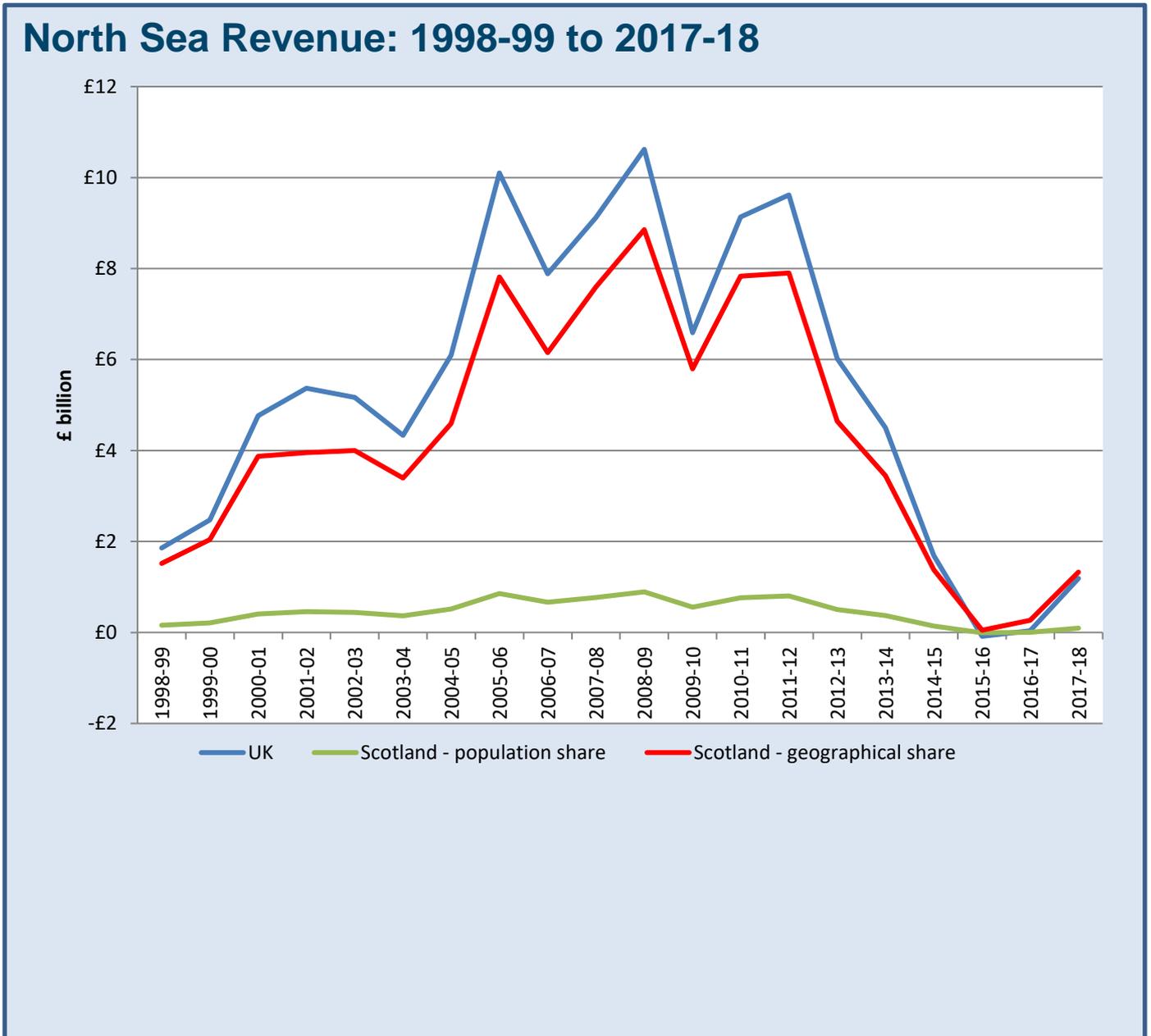
The table below compares the estimates in GERS with those published by ONS. For non-North Sea taxes; the difference between the ONS and GERS in 2016-17 is largely due to VAT, where GERS has taken on more recent household spending data. This accounts for £258 million of the difference. The differences in other non-North Sea receipts are primarily due to using different data sources for interest and dividends, where GERS uses specific data for interest income from Scottish student loans.

Estimates of Total Scottish Revenues 2013-14 to 2017-18					
	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
Non-North Sea taxes					
GERS	46,091	47,707	48,688	51,351	53,292
ONS	46,093	47,857	48,746	51,687	n/a
Difference	-2	-150	-58	-336	n/a
Other non-North Sea receipts					
GERS	4,998	5,252	5,254	5,257	5,337
ONS	5,001	5,286	5,279	5,321	n/a
Difference	-3	-34	-25	-64	n/a
Geographical share of North Sea revenues					
GERS	3,446	1,377	50	266	1,327
ONS	3,446	1,373	53	259	n/a
Difference	0	4	-3	7	n/a

Table 1.4: Revenue: Scotland and UK 2013-14 to 2017-18

	£ million									
	Scotland					UK				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Income tax	11,393	11,865	11,976	12,309	12,544	157,619	163,619	168,874	177,247	180,700
National insurance contributions	8,798	9,069	9,082	10,038	10,592	107,306	110,260	114,061	126,011	133,049
Value added tax	9,069	9,346	9,729	9,877	10,146	106,521	111,244	116,703	121,855	125,127
Corporation tax (excluding North Sea)	2,710	2,956	3,118	3,744	3,930	38,335	42,523	45,183	53,731	56,403
Fuel duties	2,277	2,301	2,331	2,366	2,361	26,881	27,155	27,621	27,937	27,878
Non-domestic rates	2,367	2,511	2,579	2,732	2,774	27,336	27,885	28,607	29,464	30,141
Council tax	1,973	2,007	2,037	2,075	2,261	27,364	28,144	28,986	30,361	32,178
VAT refunds	1,202	1,193	1,254	1,241	1,245	13,646	13,602	14,012	13,735	13,786
Capital gains tax	318	347	373	363	341	3,907	5,559	7,060	8,380	7,879
Inheritance tax	208	240	277	288	311	3,541	3,879	4,712	4,897	5,287
UK stamp duties	661	741	280	337	317	12,481	13,779	14,181	15,657	16,569
Scottish land & buildings transaction tax	0	0	425	484	546	0	0	425	484	546
Scottish landfill tax	0	0	147	149	149	0	0	147	149	149
Air passenger duty	226	240	250	265	275	3,003	3,205	3,040	3,236	3,360
Tobacco duties	1,243	1,131	995	970	972	9,556	9,251	9,106	8,681	8,766
Alcohol duties	980	1,001	1,030	1,076	1,122	10,308	10,449	10,697	11,117	11,586
Insurance premium tax	211	204	255	334	408	3,018	2,973	3,717	4,872	5,943
Vehicle excise duties	494	463	466	475	503	6,121	5,910	5,922	5,997	6,378
Environmental levies	343	406	507	590	752	3,128	3,657	4,527	5,172	6,514
Other taxes	1,620	1,685	1,577	1,639	1,742	17,915	18,900	19,498	19,739	20,848
Total Non-North Sea taxes	46,091	47,707	48,688	51,351	53,292	577,986	601,994	627,079	668,722	693,087
North Sea taxes										
Population share of North Sea revenue	374	140	-7	3	98	4,499	1,691	-85	36	1,192
Illustrative geographical share of North Sea revenue	3,446	1,377	50	266	1,327	4,499	1,691	-85	36	1,192
Other receipts										
Interest and dividends	393	368	422	368	339	6,183	6,663	6,978	6,528	7,149
Gross operating surplus	4,243	4,400	4,412	4,473	4,625	44,193	45,650	47,036	47,783	45,901
Other receipts	362	483	419	416	373	2,733	3,956	3,300	3,226	2,774
Total revenue (excl North Sea revenue)	51,089	52,959	53,942	56,608	58,630	631,095	658,263	684,393	726,259	748,911
Total revenue (incl pop share North Sea revenue)	51,463	53,099	53,935	56,611	58,728	635,594	659,954	684,308	726,295	750,103
Total revenue (incl geog share North Sea revenue)	54,535	54,336	53,993	56,874	59,957	635,594	659,954	684,308	726,295	750,103
<i>Of which, revenue accounting adjustment</i>	<i>4,051</i>	<i>4,125</i>	<i>4,271</i>	<i>4,439</i>	<i>4,667</i>	<i>43,915</i>	<i>45,277</i>	<i>47,413</i>	<i>48,404</i>	<i>50,540</i>

CHAPTER 2: NORTH SEA REVENUE



2

NORTH SEA REVENUE

Introduction

In GERS, the term North Sea is used to refer to all offshore oil and gas activity. North Sea revenue in GERS comes from three sources: petroleum revenue tax, corporation tax, and licence fees.

Table 2.1 shows the revenue raised from each component of North Sea revenue since 2013-14. UK North Sea revenue was £4.5 billion in 2013-14, but has declined since, due to lower production, rising expenditure, and lower oil prices. UK North Sea revenue was £1.2 billion in 2017-18.

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
Licence fees	71	70	67	67	72
North Sea corporation tax	3,310	1,544	410	622	1,688
Petroleum revenue tax	1,118	77	-562	-653	-568
Total	4,499	1,691	-85	36	1,192

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, with lower oil prices in particular having an impact. However oil prices have risen to their highest levels since 2014 which, along with stable production, will have a positive impact on tax revenues all else equal.

During 2017-18, the oil price averaged \$57.4 per barrel, and rose above \$70 for the first time since 2014. The average price represents an 18% increase from \$48.5 in the previous year but is still significantly lower than its level in 2013-14 (\$107.6).¹⁶

North Sea production remained broadly stable in 2017-18 compared to 2016-17, with gas production down 2%^[3] while crude oil and natural gas liquid production fell by 0.4%.^[4] This period covered the temporary shut-down of the Forties Pipeline System, which transports close to a third of the UK's oil production, for the majority of December 2017.

In 2017, total expenditure on the UK Continental Shelf continued to fall, falling 16% in real terms compared to 2016, to stand at £14.5 billion. This fall was primarily due to lower investment, which fell by 35% in real terms. In contrast, there was an increase in exploration and appraisal expenditure, rising by 39% in real terms from a low base, while decommissioning expenditure and operating costs increased by 2% and 1% respectively in real terms.^[5]

¹⁶ <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RBRT&f=M>

^[3] <https://www.gov.uk/government/statistics/gas-section-4-energy-trends>

^[4] <https://www.gov.uk/government/statistics/oil-and-oil-products-section-3-energy-trends>

^[5] <https://www.ogauthority.co.uk/media/4647/projections-of-uk-oil-and-gas-production-and-expenditure-march-2018.pdf>

2 North Sea Revenue

Significant changes were made to the fiscal regime in the March 2015 and 2016 Budgets, including the Supplementary Charge being halved to 10%, and Petroleum Revenue Tax (PRT) progressively being reduced from 50% to 0%.

As shown in Table 2.1, PRT receipts are now negative. This reflects the fact that, although companies no longer pay PRT, they can still claim refunds on PRT paid in previous years against current trading losses and decommissioning spending. As a result, PRT receipts will only be negative in the future under the current tax regime.

Scotland's Share of North Sea Revenue

In the ONS Regional Accounts, the UK continental shelf is not allocated to specific geographic regions, but is considered a separate region of the UK (the extra-regio territory). 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 shown in GERS:

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

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.

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
Total North Sea revenue	4,499	1,691	-85	36	1,192
Scotland's population share	374	140	-7	3	98
Scotland's share of North Sea revenue (%)	8.3%	8.3%	8.2%	8.2%	8.2%

An Illustrative Geographical Share

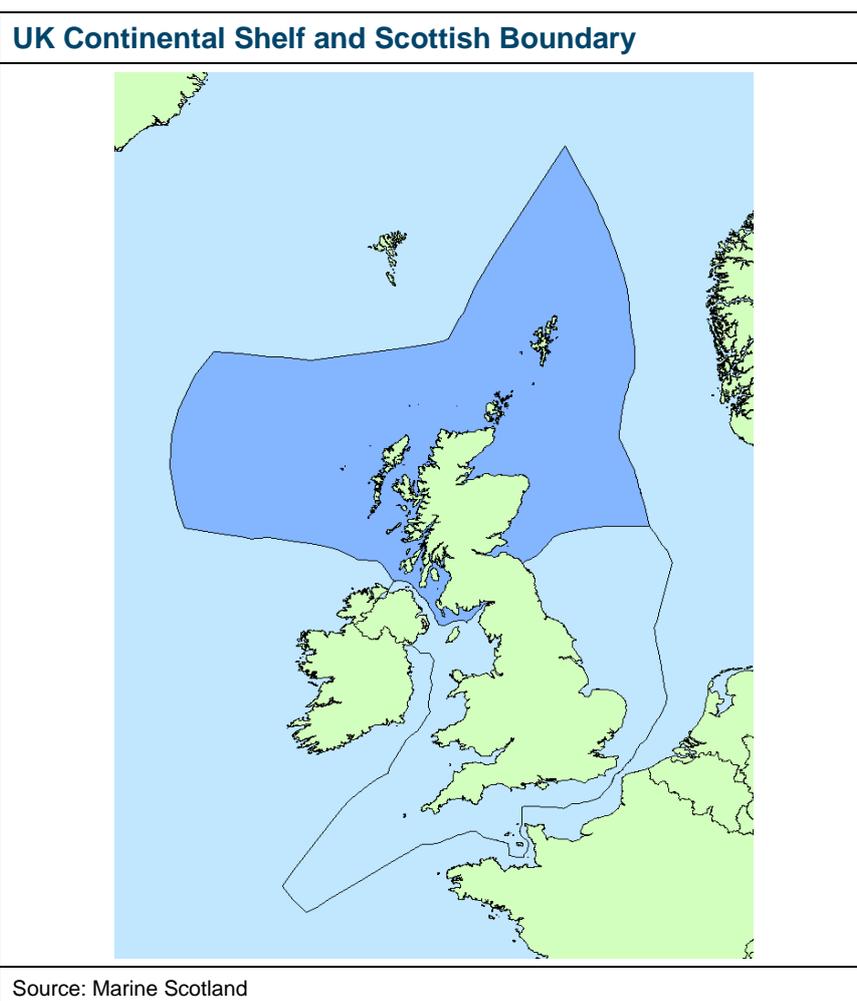
An alternative approach is to apportion a geographical share of North Sea revenue to Scotland. In order to estimate this share, GERS uses the share reported in the ONS Country and Regional Public Sector Finances publication. The estimate is based on the median line principle as employed in 1999 to determine the boundary between Scotland and the rest of the UK for fishery demarcation purposes. Other alternatives are possible. Production, costs and revenue are allocated on a field by field basis to either the rest of the UK or Scotland using this boundary.

Table 2.3 shows Scotland's illustrative geographical share of UK North Sea revenue, broken down by licence fees, corporation tax, and petroleum revenue tax. Since 2015-16, Scotland's illustrative geographical share of North Sea revenues is estimated to be above 100% or negative. This reflects the fact that the Scotland's share of petroleum revenue tax, which is currently negative, is lower than its share of corporation tax.

Table 2.3: Geographical Share of North Sea Revenue: Scotland 2013-14 to 2017-18

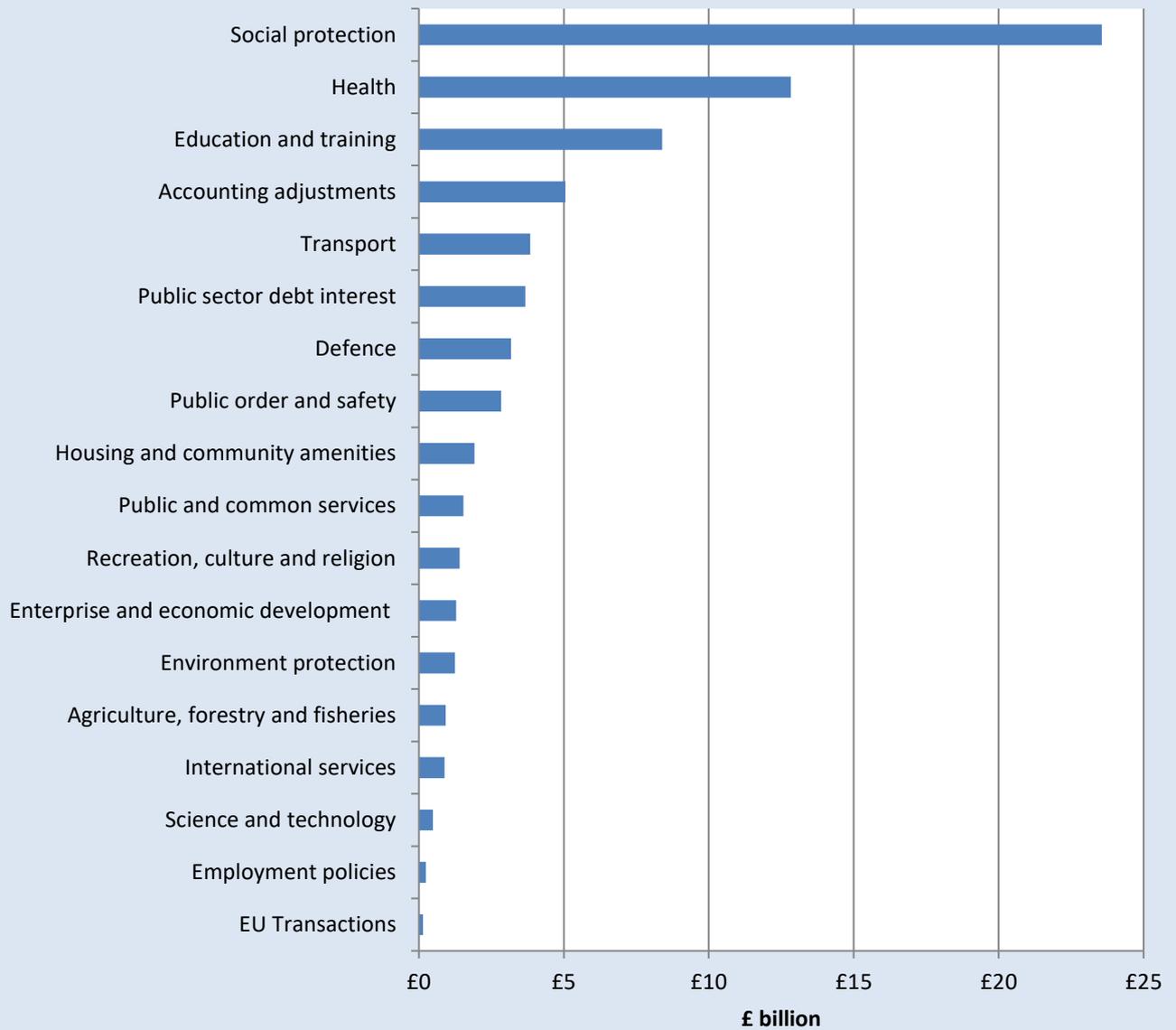
	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
UK revenue	4,499	1,691	-85	36	1,192
Licence fees	71	70	67	67	72
North Sea corporation tax	3,310	1,544	410	622	1,688
Petroleum revenue tax	1,118	77	-562	-653	-568
Scottish geographical revenue	3,446	1,377	50	266	1,327
Licence fees	58	58	55	63	68
North Sea corporation tax	2,716	1,272	334	595	1,600
Petroleum revenue tax	672	47	-338	-392	-341
Scottish share of UK	76.6%	81.4%	-59.2%	739.7%	111.3%
Licence fees	82.1%	82.2%	81.6%	94.6%	94.8%
North Sea corporation tax	82.0%	82.4%	81.4%	95.7%	94.8%
Petroleum revenue tax	60.1%	61.3%	60.1%	60.1%	60.1%

Scotland's estimated geographical share of the North Sea sector, used in this report, is highlighted in the figure below.



CHAPTER 3: PUBLIC SECTOR EXPENDITURE

Total Public Sector Expenditure: Scotland 2017-18



3

PUBLIC SECTOR EXPENDITURE

Introduction

This chapter provides detailed estimates of public sector expenditure for Scotland. Expenditure is shown by type of spend, using a presentation based on the UN's Classification of the Functions of Government (COFOG). Further information is provided in the Glossary in Annex D. Current and capital expenditure are shown separately.

The primary data sources used to estimate Scottish public sector expenditure in GERS are Scottish Government spending reported on the UK Government's public spending system, OSCAR, and HM Treasury's Public Expenditure Statistical Analyses (PESA)¹⁷ and the supporting Country and Regional Analysis (CRA).¹⁸

Spending by the Scottish Government is provided directly by the Scottish Government Directorate for Financial Management. Scottish Local Government spending in all years is taken from HM Treasury's PESA publication. Spending by other UK government departments spending is based on PESA for 2017-18 and on the CRA for earlier years. Further information on the methodology is set out in the expenditure methodology paper available at the link below.

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

GERS also includes some transactions between Scotland and the EU. These can be reported in a number of different ways, and are discussed in more detail later in the chapter.

GERS expenditure figures are presented on a National Accounts basis, an international reporting standard used by governments. This requires a number of accounting adjustments to be included in total expenditure. These are primarily symmetric adjustments that also form part of revenue, and therefore have little impact on the net fiscal balance. Further information is set out in Annex A.

¹⁷ <https://www.gov.uk/government/collections/public-expenditure-statistical-analyses-pesa>

¹⁸ <https://www.gov.uk/government/collections/country-and-regional-analysis>

Public Sector Expenditure

Total public sector expenditure for Scotland in 2017-18 is estimated to be £73.4 billion, an increase of 2.9% from 2016-17, compared to growth of 2.3% for the UK as a whole. The growth in UK spending in 2017-18 is reduced by the reclassification of English housing associations into the private sector from November 2017. Excluding this change, UK spending grew by 2.5%. Scotland's public sector expenditure in 2017-18 was equivalent to 9.3% of total UK public sector expenditure. This is shown by spending category in Table 3.1.

Table 3.1: Total Expenditure: Scotland 2017-18		
	Scotland	
	£ million	% of total expenditure
General public services		
Public and common services	1,536	2.1%
International services	881	1.2%
Public sector debt interest	3,666	5.0%
Defence	3,182	4.3%
Public order and safety	2,838	3.9%
Economic affairs		
Enterprise and economic development	1,285	1.8%
Science and technology	485	0.7%
Employment policies	239	0.3%
Agriculture, forestry and fisheries	918	1.3%
Transport	3,842	5.2%
Environment protection	1,241	1.7%
Housing and community amenities	1,911	2.6%
Health	12,830	17.5%
Recreation, culture and religion	1,400	1.9%
Education and training	8,390	11.4%
Social protection	23,556	32.1%
EU transactions	145	0.2%
Accounting adjustments	5,052	6.9%
Total Expenditure	73,398	100%

Table 3.2 below shows growth in current and capital spend in Scotland by organization in 2017-18, compared to the UK. Spending increased faster in Scotland than the UK as a whole in 2017-18, primarily due to higher growth in local government current spending and public corporation capital expenditure. The difference in public corporation capital spend is due to the reclassification of English housing associations, which reduces the UK total in 2017-18. Excluding housing associations, UK public corporation capital expenditure grew by 8.4%.

	Scotland			UK growth
	2016-17	2017-18	Growth	
Current expenditure	62,856	64,633	2.8%	2.2%
Scottish Government	24,082	24,500	1.7%	1.7%
Local Government	12,075	12,241	1.4%	-0.5%
Public Corporations	-	-	-	-
Other UK Government bodies	26,700	27,892	4.5%	3.0%
Capital expenditure	8,498	8,764	3.1%	3.0%
Scottish Government	2,047	2,261	10.4%	10.4%
Local Government	2,215	2,208	-0.3%	4.0%
Public Corporations	1,492	1,637	9.7%	-4.1%
Other UK Government bodies	2,743	2,658	-3.1%	5.2%
Total expenditure	71,354	73,398	2.9%	2.3%
Scottish Government	26,129	26,761	2.4%	2.4%
Local Government	14,290	14,449	1.1%	0.0%
Public Corporations	1,492	1,637	9.7%	-4.1%
Other UK Government bodies	29,443	30,550	3.8%	3.1%

Notes:

1. Public corporation line for Scotland shows spending by Scottish public corporations only. UK figure shows spending by all public corporations
2. Scottish public corporations have no current expenditure as this is netted off against their income to provide their gross operating surplus in the revenue calculations. Within the CRA, interest expenditure by public corporations is recorded as spending by HM Treasury.
3. Spend by Other UK Government departments for Scotland and the UK are not directly comparable, as spending for the UK as a whole includes spending on functions which are devolved to the Scottish Government.

Table 3.3 shows the split of total expenditure between current and capital for Scotland. The capital spending share increased in 2016-17. This reflected a number of factors, including increased local authority capital spending, increased Scottish Government capital spending in part due to the use of new capital borrowing powers, and increased spending by housing associations. It remained at this level in 2017-18.

	per cent				
	2013-14	2014-15	2015-16	2016-17	2017-18
Current	89.5%	89.6%	89.7%	88.1%	88.1%
Capital	10.5%	10.4%	10.3%	11.9%	11.9%

Table 3.4 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. Excluding North Sea GDP, public sector spending as a share of GDP has been around 47% in Scotland since 2014-15, whilst it has declined in the UK. This divergence in part reflects the higher spending growth in Scotland, but primarily reflects weaker GDP growth in Scotland. If Scottish GDP had grown in line with UK GDP since 2014-15, spending as a share of GDP excluding the North Sea would have fallen to 45.1% in 2017-18.

Including a geographical share of North Sea GDP, public spending as a share of GDP has been increasing since 2013-14 in Scotland, although it fell in 2017-18. This reflects the fall in North Sea GDP since 2013-14, and its recovery in the latest year.

3 Public Sector Expenditure

	per cent of GDP				
	2013-14	2014-15	2015-16	2016-17	2017-18
Scottish TME as a Share of GDP:					
Excluding North Sea GDP	48.1%	46.8%	47.1%	47.1%	46.9%
Including population share of North Sea GDP	47.5%	46.3%	46.6%	46.6%	46.4%
Including geographical share of North Sea GDP	42.7%	42.8%	43.3%	43.6%	43.1%
UK TME as a share of GDP:					
100% of North Sea GDP	41.2%	40.5%	39.6%	38.8%	38.4%

Table 3.5 shows total public sector expenditure per person for Scotland and the UK. Since 2013-14, spending per person in Scotland has been between 10.6% (in 2014-15) and 13.2% (in 2017-18) higher than the UK average. The gap between Scottish and UK spending per person has increased since 2014-15. In part, this will reflect the new Scottish Government capital borrowing powers which began in 2015-16. 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.

	£ per person				
	2013-14	2014-15	2015-16	2016-17	2017-18
Scotland	12,708	12,821	12,914	13,190	13,530
UK	11,425	11,594	11,599	11,742	11,954
<i>Difference (Scotland minus UK)</i>	<i>1,283</i>	<i>1,226</i>	<i>1,316</i>	<i>1,448</i>	<i>1,576</i>
<i>Difference between Scottish and UK</i>	<i>11.2%</i>	<i>10.6%</i>	<i>11.3%</i>	<i>12.3%</i>	<i>13.2%</i>

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 by the Department for Work and Pensions (DWP). This is followed by DWP's spending on other social security such as disability and incapacity related benefits, income support, jobseekers allowance, and housing benefit. Tax credits and child benefit are part of HMRC spending, which also includes universal credit. Scottish Government social security spend includes the Scottish Welfare Fund, Council Tax Reduction Scheme, and Scottish Government expenditure on Discretionary Housing Payments, all of which are administered by Local Authorities.

Some UK social security 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)					
	2013-14	2014-15	2015-16	2016-17	2017-18
Social security spending in Scotland					
State pension	7,051	7,324	7,560	7,744	7,922
Housing benefit	1,770	1,776	1,772	1,733	1,671
Other DWP social security	5,624	5,693	5,795	5,835	6,010
HMRC child benefit and tax credits and universal credit	2,960	2,913	2,867	2,755	2,872
Scottish Government social security	436	431	410	401	392
Social security spending in Scotland	17,842	18,138	18,405	18,468	18,867
Share of benefit spending outside UK and corporate spend	456	558	604	614	643
Other social protection					
Net public sector pensions	875	1009	979	885	928
Social care for the elderly	2,263	2,296	2,292	2,268	2,375
Other	900	917	1,046	882	742
Total social protection	22,336	22,917	23,325	23,117	23,556

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

A more detailed breakdown of social security spending is published by DWP, available at the link below.

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

Spending by different parts of the Public Sector

Table 3.8 below provides a breakdown of Scottish expenditure by the Scottish Government, Scottish local government and public corporations, and other UK government bodies.

3 Public Sector Expenditure

Table 3.6: Total Expenditure: Scotland 2013-14 to 2017-18

	£ million														
	Current					Capital					Total				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
General public services															
Public and common services	1,251	1,277	1,302	1,254	1,202	234	228	249	241	335	1,485	1,505	1,551	1,495	1,536
International services	762	692	698	737	778	52	177	164	158	102	814	869	862	894	881
Public sector debt interest	3,333	3,098	3,136	3,305	3,666	0	0	0	0		3,333	3,098	3,136	3,305	3,666
Defence	2,290	2,271	2,294	2,296	2,338	734	766	729	762	844	3,024	3,037	3,023	3,057	3,182
Public order and safety	2,409	2,707	2,746	2,655	2,716	137	120	72	75	122	2,545	2,827	2,818	2,729	2,838
Economic affairs															
Enterprise and economic development	877	834	901	860	920	193	187	140	338	365	1,070	1,021	1,041	1,198	1,285
Science and technology	26	50	102	76	88	369	370	390	356	397	395	420	492	432	485
Employment policies	321	253	215	213	231	6	3	2	5	9	327	256	217	218	239
Agriculture, forestry and fisheries	790	733	689	813	804	167	196	134	124	114	957	928	823	938	918
Transport	1,568	1,340	1,651	1,647	1,678	1,342	1,454	1,467	1,705	2,164	2,910	2,794	3,118	3,352	3,842
Environment protection	917	941	934	874	901	366	308	312	330	340	1,283	1,248	1,246	1,204	1,241
Housing and community amenities	137	143	174	132	131	1,408	1,424	1,407	1,471	1,780	1,544	1,567	1,581	1,603	1,911
Health	10,868	11,144	11,586	12,040	12,331	637	489	569	626	499	11,504	11,633	12,155	12,665	12,830
Recreation, culture and religion	1,210	1,368	1,125	1,079	1,126	249	190	237	326	274	1,459	1,558	1,362	1,405	1,400
Education and training	6,923	6,980	7,108	7,299	7,510	636	634	732	972	880	7,558	7,614	7,840	8,271	8,390
Social protection	22,308	22,883	23,257	23,046	23,512	28	34	68	71	44	22,336	22,917	23,325	23,117	23,556
EU Transactions	219	290	315	8	145	0	0	0	0	0	219	290	315	8	145
Accounting adjustments	4,428	4,520	4,105	4,522	4,558	572	538	481	939	494	5,000	5,058	4,586	5,461	5,052
Total	60,637	61,524	62,340	62,856	64,633	7,130	7,117	7,152	8,498	8,764	67,767	68,640	69,492	71,354	73,398

Table 3.7: Total Expenditure: UK 2013-14 to 2017-18

	£ million														
	Current					Capital					Total				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
General public services															
Public and common services	9,372	9,703	9,851	9,709	10,105	1,809	1,752	1,358	2,755	3,011	11,181	11,455	11,208	12,464	13,115
International services	9,174	8,362	8,457	8,947	9,453	621	2,133	1,984	1,918	1,245	9,795	10,495	10,441	10,865	10,698
Public sector debt interest	40,108	37,418	38,006	40,153	44,528	0	0	0	0		40,108	37,418	38,006	40,153	44,528
Defence	27,572	27,448	27,796	27,890	28,401	8,834	9,249	8,832	9,250	10,252	36,406	36,697	36,627	37,140	38,653
Public order and safety	28,345	29,235	28,928	28,945	29,531	1,258	1,252	1,279	1,116	2,033	29,603	30,487	30,207	30,061	31,564
Economic affairs															
Enterprise and economic development	5,544	5,409	6,428	6,297	6,826	1,178	862	679	1,700	1,607	6,722	6,271	7,107	7,997	8,433
Science and technology	363	496	875	978	1,126	3,831	3,976	3,944	3,510	3,920	4,194	4,472	4,819	4,488	5,047
Employment policies	3,718	2,806	2,363	2,340	2,509	77	32	22	60	105	3,796	2,837	2,385	2,399	2,613
Agriculture, forestry and fisheries	4,966	4,692	4,090	4,769	4,770	413	520	399	444	487	5,378	5,213	4,489	5,213	5,258
Transport	7,666	6,618	9,765	9,868	10,728	13,129	15,172	17,924	18,501	20,459	20,794	21,790	27,689	28,368	31,187
Environment protection	7,637	7,839	7,938	7,264	7,390	3,572	3,750	3,672	3,779	4,049	11,209	11,589	11,609	11,043	11,439
Housing and community amenities	3,137	3,062	2,986	2,943	3,013	6,719	7,215	6,844	7,352	9,065	9,856	10,277	9,830	10,295	12,078
Health	121,968	127,651	132,663	136,978	139,620	7,421	6,402	5,836	5,611	6,192	129,389	134,053	138,499	142,589	145,812
Recreation, culture and religion	9,753	10,427	9,327	9,381	9,399	1,854	2,022	2,040	2,225	2,391	11,607	12,449	11,367	11,606	11,791
Education and training	75,859	75,604	75,595	77,319	78,167	8,821	9,450	9,319	7,587	9,648	84,680	85,055	84,914	84,905	87,815
Social protection	254,228	261,150	264,506	264,890	267,748	-283	-112	315	451	492	253,945	261,038	264,821	265,341	268,240
EU transactions	7,210	6,225	7,671	4,722	5,364	0	0	0	0	0	7,210	6,225	7,671	4,722	5,364
Accounting adjustments	48,539	50,669	45,370	49,335	49,114	9,401	11,955	9,708	12,995	6,712	57,940	62,624	55,078	62,330	55,826
Total	665,159	674,817	682,615	692,727	707,792	68,654	75,628	74,152	79,254	81,668	733,813	750,445	756,767	771,981	789,460

3 Public Sector Expenditure

Table 3.8: Total Expenditure: Scottish Government, Local Authorities, Public Corporations, and Other UK Government: Scotland 2013-14 to 2017-18

	£ million														
	Scottish Government, LAs and Public Corporations					Other UK Government					Total				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
General public services															
Public and common services	1,021	1,014	1,048	1,002	1,016	464	491	503	493	520	1,485	1,505	1,551	1,495	1,536
International services	0	0	0	0	1	814	869	862	894	880	814	869	862	894	881
Public sector debt interest	0	0	0	0	0	3,333	3,098	3,136	3,305	3,666	3,333	3,098	3,136	3,305	3,666
Defence	3	3	4	4	3	3,021	3,034	3,019	3,053	3,179	3,024	3,037	3,023	3,057	3,182
Public order and safety	2,307	2,567	2,592	2,515	2,618	238	260	226	214	220	2,545	2,827	2,818	2,729	2,838
Economic affairs															
Enterprise and econ development	782	743	632	831	855	288	278	409	367	430	1,070	1,021	1,041	1,198	1,285
Science and technology	5	5	2	3	3	391	416	490	429	483	395	420	492	432	485
Employment policies	0	0	0	0	0	327	256	217	218	239	327	256	217	218	239
Agriculture, forestry and fisheries	948	918	815	927	908	9	11	8	11	11	957	928	823	938	918
Transport	2,750	2,623	2,318	2,351	2,554	161	170	801	1,001	1,288	2,910	2,794	3,118	3,352	3,842
Environment protection	1,012	950	949	938	958	270	299	297	266	283	1,283	1,248	1,246	1,204	1,241
Housing and community amenities	1,529	1,548	1,567	1,583	1,893	15	20	14	20	18	1,544	1,567	1,581	1,603	1,911
Health	11,354	11,483	12,002	12,508	12,677	151	149	152	158	153	11,504	11,633	12,155	12,665	12,830
Recreation, culture and religion	1,066	1,142	999	974	949	393	416	363	431	451	1,459	1,558	1,362	1,405	1,400
Education and training	7,541	7,587	7,814	8,247	8,371	17	27	26	24	19	7,558	7,614	7,840	8,271	8,390
Social protection	5,484	5,662	5,734	5,420	5,357	16,853	17,255	17,591	17,697	18,199	22,336	22,917	23,325	23,117	23,556
EU transactions	0	0	0	0	0	219	290	315	8	145	219	290	315	8	145
Accounting adjustments	4,277	4,450	4,150	4,610	4,686	723	608	436	851	366	5,000	5,058	4,586	5,461	5,052
Total	40,079	40,695	40,627	41,911	42,848	27,688	27,946	28,865	29,443	30,550	67,767	68,640	69,492	71,354	73,398

Scotland's Notional Contributions to the European Union Budget

As a member of the European Union (EU) the UK contributes to the EU budget and receives funding from the EU via a number of programmes.

Scotland does not contribute directly to the EU budget. In GERS, Scotland is assigned a share of the UK contribution. In contrast, Scotland receives funding directly from the EU, through the Common Agricultural Policy, European Structural Funds, and European Regional Development Funding. Actual amounts are used for these items.

The EU Transactions lines in the tables above are produced on a National Accounts basis, and exclude traditional own resource payments. These are payments collected by the UK on behalf of the EU, and therefore are excluded from the UK Public Sector Finances. However, they are normally included when reporting on the UK's net contribution to EU budgets. The tables in this box show net payments to the EU including these contributions.

Although contributions to the EU are made by the public sector, funding from the EU is received by both public and non-public sector bodies. Both the EU Transactions line in the above tables and the figures below report only on transactions with the EU by the public sector. EU payments to Higher Education Institutions, which are not part of the public sector, are discussed further below.

Funding the EU Budget

There are three key sources of funding for the EU, which come from each member state:¹⁹

- Traditional own resource (TOR) - Agriculture duties and customs duties levied on agriculture and non-agriculture products from outside the EU
- VAT based own resource – Calculated as a percentage of countries' VAT tax base.
- Gross National Income (GNI) based own resource – Calculated as a percentage of countries' GNI. This is the EU's single largest source of revenue.

Since 1985, the UK has received a rebate on its contribution, broadly equal to 66% of its net contribution (in the previous year). Scotland is apportioned a population share of the rebate.

Net Contribution to the EU

Two measures are generally used to illustrate the UK's net contribution to the EU:

- The primary measure is the UK's net contribution to the EU budget – this is calculated as the difference between the UK's gross contribution to the EU budget (less the rebate) and public sector EU receipts.
- A secondary measure is the UK's net payment to EU institutions – this is equal to the UK's net contribution to the EU Budget less its share of the EU's external assistance aid budget.

¹⁹ Further detail is available from HM Treasury's European Union Finances 2017 publication: <https://www.gov.uk/government/statistics/european-union-finances-2017>

3 Public Sector Expenditure

The table below sets out these transactions for Scotland and the UK. The Scottish presentation in this edition of GERS has been simplified to present a single figure based on estimates of Scotland's Gross National Income.²⁰ Further information is provided in the expenditure methodology note.

Table 3.9: Transactions with the institutions of the EU, 2013-14 to 2017-18 (£ million)										
	Scotland					UK				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
GNI based contribution	1,187	1,164	1,039	927	945	13,845	14,154	12,570	11,440	11,761
UK abatement	-343	-398	-336	-392	-374	-4,130	-4,811	-4,068	-4,757	-4,547
VAT-based contribution to the EU	180	192	227	204	244	2,163	2,316	2,751	2,477	2,974
Expenditure transfers to the EU	1,024	957	930	739	816	11,879	11,658	11,253	9,160	10,188
Receipts to cover collection costs of TOR	-61	-61	-64	-29	-57	-733	-743	-771	-357	-698
TOR	244	249	254	277	280	2,933	3,006	3,085	3,366	3,413
Gross contribution to the EU budget	1,207	1,144	1,121	987	1,039	14,079	13,921	13,567	12,169	12,903
Public sector EU receipts	-737	-606	-551	-702	-613	-3,856	-4,690	-2,811	-4,081	-4,126
Net contributions to the EU budget	470	538	570	285	426	10,223	9,231	10,756	8,088	8,777
less other attributed costs ¹	-7	-	-	-	-	79	-	-	-	-
Net payments to EU institutions	463	538	570	285	426	10,143	9,231	10,756	8,088	8,777
<i>EU transactions (net payments to EU institutions less TOR)</i>	<i>219</i>	<i>290</i>	<i>315</i>	<i>8</i>	<i>145</i>	<i>7,210</i>	<i>6,225</i>	<i>7,671</i>	<i>4,722</i>	<i>5,364</i>

¹ UK contribution to EU aid to non-EU states.

²⁰ <https://www.gov.scot/Topics/Statistics/Browse/Economy/SNAP/GNI>

Box 3.2: EU Payments to Higher Education Institutions

The figures above covered the transactions that the Scottish and UK public sector have with the EU. However, the EU also makes payments to bodies outside the public sector, such as Higher Education Institutions (HEIs), which are considered private sector not-for-profit institutions. The Higher Education Statistics Agency (HESA) produces statistics on these payments. These payments are not included in the tables shown above as they are not transactions with the public sector and are therefore out of the scope of public sector finances.

Payments to HEIs from the EU include:

- Payments from EU government bodies
- Payments from EU-based charities through an open competitive process
- Payments from EU industry, commerce and public corporations
- Payments from other EU bodies

To illustrate the size of these payments, the table below shows research grants and contracts income from the EU to HEIs for Scotland and the UK for academic years 2012-13 to 2016-17, which is the latest year for which figures are available. This spending is outside the public sector, and therefore has no impact on the figures reported in GERS.

EU Payments to Higher Education Institutions, Academic Year 2012-13 to 2016-17

	£ million				
	2012-13	2013-14	2014-15	2015-16	2016-17
Scotland	81	89	94	97	105
UK	690	789	836	841	877

Note: The academic year runs from 1 August to 31 July

Box 3.3: Private Finance Initiative and Non-Profit Distributing Financing support for Public Private Partnerships (PPPs)

This box gives an introduction to Public Private Partnerships (PPPs) and the funding models that have been used in Scotland. It also breaks down unitary charge payments by scheme type, by type of procuring authority and by the sector of the project. This analysis uses sources of publicly available data, all brought together into an accompanying spreadsheet. The spreadsheet is available from the GERS website:

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

Introduction to PFI, PPPs, and NPD

Public Private Partnerships (PPPs) are long-term contracts for services that include the provision of associated facilities or properties. Under the contract, the private sector is generally responsible for various roles, including designing and constructing a building or facility, and maintaining and servicing it throughout the contract term. The public sector retains accountability for the main public services. The private sector is responsible for financing the project up front and only receives payment from the public sector once construction has been completed and the services have commenced.

The Private Finance Initiative (PFI) used to be the UK's preferred form of PPP. In Scotland, the Non-Profit Distributing (NPD) model has been the Scottish Government's preferred procurement option since 2007. For more information on these schemes, and the data sources used in this box, please see the Scottish Government website:

<http://www.gov.scot/Topics/Government/Finance/18232/12308>

Unitary Charge Payments

Payments for both PFI and NPD projects take the form of a unitary charge which is usually paid annually over the lifetime of the contract. It is worth emphasising that these payments are already fully reflected in the GERS spending figures. In addition, the table below includes Ministry of Defence projects in Scotland which are procured by and entirely funded by the Ministry of Defence. Scotland is assigned a population share of this expenditure in GERS. Unitary charge payments cover repayment of capital, interest payments, and in some cases service charge payments. Figures are shown here for the years 2013-14 to 2017-18 to be consistent with other tables in this report. The underlying spreadsheets on the GERS website have data covering the period back to 1998-99 as well as estimated payments into the 2040s. Additional information about the individual procuring authority (e.g. individual local authority and health board information) and comparisons with the UK are also provided.

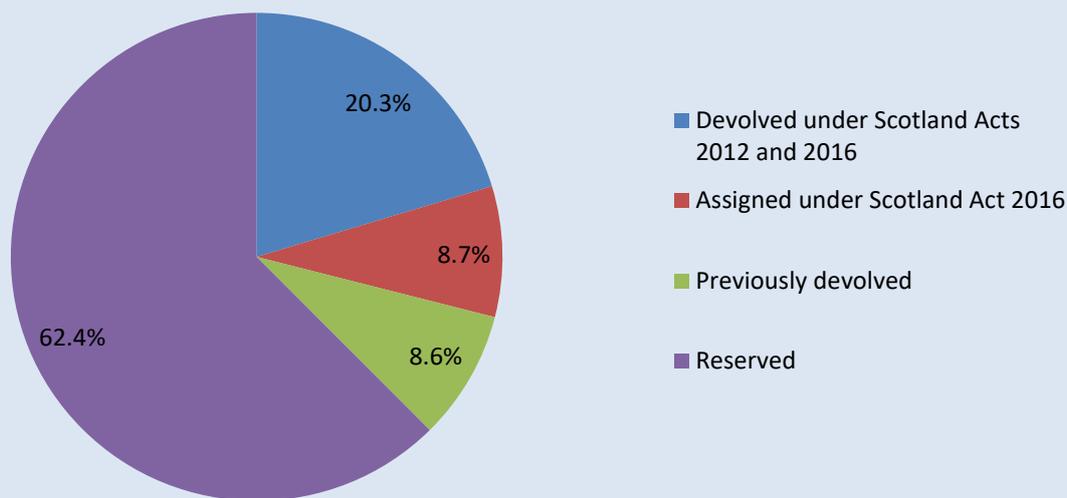
Scotland: Unitary charge payments, 2013-14 to 2017-18					
	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
By scheme type					
Private Finance Initiative	944	979	995	998	1,024
Non-Profit Distributing models ¹	55	59	72	107	224
Total Unitary Charge payments	999	1,038	1,067	1,105	1,248
By procuring authority					
Further Education	2	2	9	27	35
Local Government	488	497	507	514	547
NHS	235	242	247	258	296
Other Scottish Government	109	127	136	133	191
Ministry of Defence	22	24	21	25	26
Scottish Water	143	146	146	148	154
Total Unitary Charge payments	999	1,038	1,067	1,105	1,248
By sector of project					
Energy	4	5	5	5	5
Further Education	2	2	9	27	35
Health	235	242	247	258	296
IT	-	-	-	-	-
Ministry of Defence	22	24	21	25	26
Offices	3	3	3	3	3
Police	4	4	4	4	5
Prisons	46	49	49	47	47
Schools	446	454	462	468	502
Transport	78	93	104	102	159
Waste	158	162	163	165	171
Total Unitary Charge payments	999	1,038	1,067	1,105	1,248
<i>UK Total Unitary Charge Payments</i>	<i>9,853</i>	<i>10,274</i>	<i>10,526</i>	<i>10,397</i>	<i>10,590</i>
<i>Scotland as % UK</i>	<i>10.1%</i>	<i>10.1%</i>	<i>10.1%</i>	<i>10.6%</i>	<i>11.8%</i>

¹ Non-profit distributing models includes projects delivered by the hub model and projects commissioned prior to 2010. Further detail is available at: <http://www.gov.scot/Topics/Government/Finance/18232/12308>

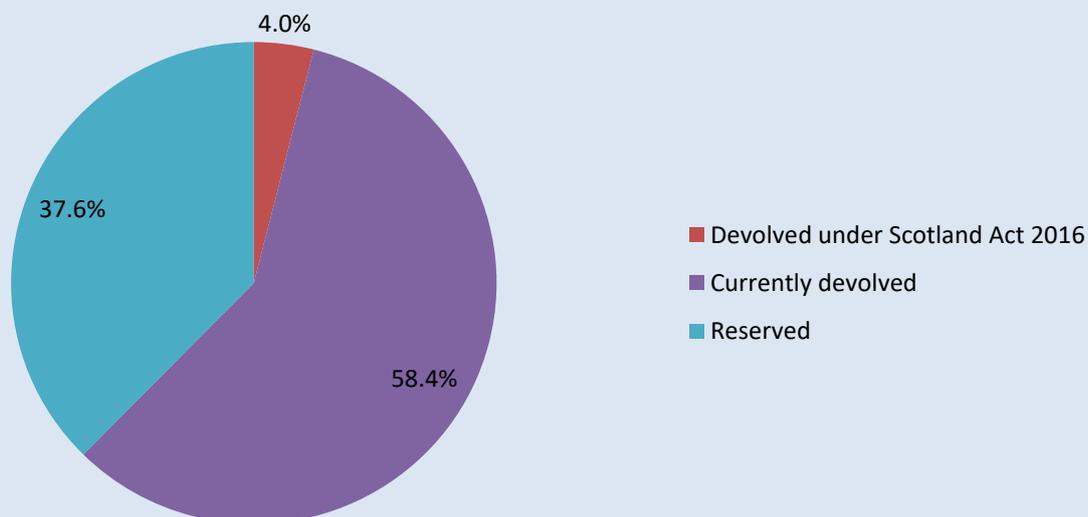
Source: HM Treasury and Scottish Government figures. See the accompanying spreadsheet for full details of all sources

CHAPTER 4: DEVOLVED REVENUE & EXPENDITURE

Devolved and Reserved Revenue in Scotland 2017-18



Devolved and Reserved Expenditure in Scotland 2017-18



4

DEVOLVED REVENUE AND EXPENDITURE

Introduction

Following the implementation of Scotland Act 2012 and Scotland Act 2016, the powers of the Scottish Parliament over taxation and expenditure in Scotland are changing. This chapter sets out the amount of public sector revenue and expenditure currently devolved and how this will change with the implementation of the Scotland Act 2016.

Devolved Revenue

The table below sets out revenue raised in Scotland from taxes currently devolved to the Scottish Parliament. Total devolved tax revenue in 2017-18 was estimated to reach £16,620 million.

2017-18 was the first year when non-saving non-dividend income tax was devolved. Since 2016-17, HMRC has put in place new infrastructure to identify Scottish income tax payers and tax revenue, and this provides an important new statistical source in GERS. However, it also creates a discontinuity in the income tax series in Table 4.1 as comparable data is not available for earlier years. As a result, the income tax estimates for 2013-14 to 2015-16 in the shaded cells are not comparable to the estimates for later years. Similarly, there is a discontinuity in the estimates of Scottish landfill tax and land and building transaction tax following the creation of Revenue Scotland, which is now responsible for collecting these taxes.

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
Council tax	1,973	2,007	2,037	2,075	2,261
Non-domestic rates	2,367	2,511	2,579	2,732	2,774
Land and buildings transaction tax ¹ (devolved from 2015-16)	388	488	425	484	546
Scottish landfill tax (devolved from 2015-16) ²	153	149	147	149	149
Non-savings and non-dividend income tax liabilities (devolved from 2017-18) ³	10,881	11,004	10,948	10,700	10,890
Total devolved taxes	15,762	16,042	16,136	16,139	16,620

¹ Figures for 2015-16 onwards are from Revenue Scotland. Previous years are based on HMRC estimates

² Figures for 2015-16 onwards are from Revenue Scotland. Previous years are based on ONS estimates

³ 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. Figures for 2015-16 and earlier are based on the Survey of Personal Incomes. The figure for 2016-17 is from HMRC accounts, and the figure for 2017-18 is based on SFC forecasts.

Note: Shaded cells represent estimates for years when tax devolution has not occurred. These are not directly comparable to outturn data in other cells.

Further devolution of taxes is due to continue in the next few years, following the Scotland Act 2016. As these taxes are not yet devolved, the table below shows the estimated historical revenues from these taxes

4 Devolved Revenue and Expenditure

Table 4.2: Revenue to be devolved under Scotland Act 2016

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
Air passenger duty (date of devolution to be decided)	226	240	250	265	275
Aggregates levy (date of devolution to be decided)	44	55	53	63	57

As well as devolving tax powers to the Scottish Government, the Scotland Act 2016 allows for the first 10p of the standard rate of VAT receipts and the first 2.5p of the reduced rate of VAT receipts in Scotland to be assigned to the Scottish Government, from 2019-20.

Table 4.3 shows the VAT that would have been assigned to Scotland under this approach, given the methodology used in GERS. The Scottish Government and HMRC are currently working together to agree a methodology that will be used for VAT assignment purposes.

Table 4.3: VAT Assignment: Scotland 2013-14 to 2017-18

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
VAT assignment (from 2019-20)	4,534	4,673	4,865	4,939	5,073

Note: Assigned VAT receipts are 50% of total receipts in all years.

Further information on the planned devolution of taxes to the Scottish Government is available in the fiscal framework agreement between the Scottish and UK Governments.²¹ The net impact on Scottish Government funding will depend in part on how the block grant received by the Scottish Government is adjusted to reflect the devolution of new revenue streams. This adjustment will be based in part on the relative growth in tax per head for each devolved tax in Scotland and the rest of the UK. Table 4.4 below shows tax per head for Scotland and the rest of the UK for each of the relevant taxes.

²¹ Under the Fiscal Framework Agreement, the block grant adjustment will effectively be determined by the indexed per capita method until March 2022. Under this approach, the block grant adjustment will increase in line with the percentage growth in tax receipts per head in the UK, multiplied by Scottish population growth. The net impact on the Scottish Government budget will therefore depend on the relative growth in tax per head for each devolved tax in Scotland and the rest of the UK. The agreement is available at the link below.

<https://www.gov.uk/government/publications/the-agreement-between-the-scottish-government-and-the-united-kingdom-government-on-the-scottish-governments-fiscal-framework>

Table 4.4: Devolved revenue per head: Scotland and rest of UK

	£ per person									
	Scotland					Rest of UK				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Income tax	2,040	2,055	2,035	1,978	2,007	2,366	2,373	2,422	2,522	2,601
VAT	850	873	904	913	935	827	858	893	928	948
APD	42	45	46	49	51	47	50	47	49	51
LBTT	74	92	80	91	102	152	175	181	198	215
Landfill tax	29	28	27	28	27	17	16	15	14	12
AL	8	10	10	12	11	4	5	5	6	5

Notes: Income tax refers to non-savings non-dividend income tax liabilities

Shaded cells represent estimates for years when tax devolution has not occurred. These are not directly comparable to figures in other cells.

Income tax figures for 2016-17 for Scotland is taken from HMRC's July 2018 Annual Report. A comparable rest of UK figure is not currently available. This means that the growth rate in income tax between 2015-16 and 2016-17 for Scotland and the rest of the UK are not comparable. Figures for 2017-18 for Scotland, and 2016-17 and 2017-18 for the rest of the UK, are based on official forecasts from the Scottish Fiscal Commission and Office for Budget Responsibility respectively.

APD: air passenger duty

LBTT: Land and Buildings Transaction Tax for Scotland, compared to LBTT and stamp duties on property for the UK

AL: aggregates levy

Devolved Social Security

The table below shows the expenditure in Scotland from social security benefits devolved to the Scottish Parliament prior to implementation of Scotland Act 2016.

Table 4.5: Social security devolved prior to Scotland Act 2016					
	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
Council tax reduction ¹	379	360	344	332	327
Scottish welfare fund	29	36	33	35	33
Discretionary housing payments	29	36	33	35	33
Total	436	431	410	401	392

Notes: ¹ Figures for 2013-14 show council tax benefit administered by the Department for Work and Pensions

The table below shows the latest available figures for social security benefits which are due to be devolved to the Scottish Government under the Scotland Act 2016.

Table 4.6: Devolved social security under Scotland Act 2016					
	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
Disability living allowance	1,471	1,467	1,400	1,219	996
Attendance allowance	481	485	487	487	493
Carer's allowance	182	203	222	234	248
Winter fuel payment	186	184	181	178	175
Personal independence payment	20	163	317	550	878
Industrial injuries disablement benefit	88	89	87	84	82
Severe disablement allowance	91	77	51	22	11
Cold weather payment	1	7	3	1	21
Funeral payment	6	6	5	5	5
Sure Start maternity grant	3	3	3	3	3
Total expenditure on social security to be devolved	2,530	2,682	2,757	2,790	2,916

The fiscal framework agreement discussed above also covers the devolution of social security expenditure to the Scottish Government. The Scotland Act 2016 sets out that the final impact on the Scottish Government budget of devolution of these benefits will be determined through an adjustment to the Scottish block grant. As with devolved revenue, the adjustment made to the Scottish Government's budget to reflect this additional spending responsibility will depend in part on the relative growth in expenditure per head for each newly devolved benefit in Scotland and the rest of GB.

Table 4.7 below shows expenditure per head for each of the relevant benefits for Scotland and the rest of Great Britain. For the majority of social security, expenditure per head is higher in Scotland than the rest of Great Britain, although overall the rate of growth in expenditure per head has been similar between Scotland and the rest of Great Britain since 2013-14 for each individual benefit.

Table 4.7: Devolved social security expenditure per head: Scotland and rest of GB

	£ per person									
	Scotland					Rest of GB				
	2013-14	2014-15	2015-16	2016-17	2017-18	2013-14	2014-15	2015-16	2016-17	2017-18
Disability living allowance	276	274	260	225	184	215	214	204	176	143
Attendance allowance	90	91	91	90	91	86	86	86	85	86
Carer's allowance	34	38	41	43	46	33	37	40	42	44
Winter fuel payment	35	34	34	33	32	34	34	33	32	31
Personal independence payments	4	30	59	102	162	2	3	4	79	123
Industrial Injuries disability benefit	17	17	16	16	15	14	14	14	13	13
Severe disablement allowance	17	14	9	4	2	13	11	7	4	2
Cold weather payment	0	1	1	0	4	0	0	0	0	0
Funeral expenses payments	1	1	1	1	1	1	1	1	1	1
Sure Start maternity grant	1	1	1	1	1	1	1	0	0	0

Summary of current and proposed devolved powers

The table below shows estimates of devolved receipts and expenditure before and after the implementation of the Scotland Acts 2012 and 2016.

	Before Scotland Acts 2012 and 2016	After Scotland Acts 2012 and 2016
Non-saving non-dividend income tax liabilities (devolved from 2016-17)	-	10,890
Council tax	2,261	2,261
Non-domestic rates	2,774	2,774
Land and buildings transaction tax (devolved from 2015-16)	-	546
Scottish landfill tax (devolved from 2015-16)	-	149
Air passenger duty (date to be decided)	-	275
Aggregates levy (date to be decided)	-	57
Total devolved taxes	5,035	16,952
Devolved taxes as % of non-North Sea Scottish revenue	9%	29%
as % of revenue incl geographical share of North Sea revenue¹	8%	28%
Assigned VAT ² (assigned from 2019-20)		5,073
Total devolved and assigned taxes	5,035	22,025
Devolved and assigned taxes as % of non-North Sea Scottish revenue	9%	38%
as % of taxes incl geographical share of North Sea revenue¹	8%	37%
Devolved expenditure including housing benefit ³ (HB)	42,848	45,764
Devolved taxes as % of estimated devolved expenditure	12%	37%
Devolved and Assigned taxes as % of estimated devolved expenditure	12%	48%

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

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.9. In this case, devolved and assigned revenue would be 49% of devolved expenditure.

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.

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)					
	2013-14	2014-15	2015-16	2016-17	2017-18
Scotland	5,333	5,354	5,381	5,410	5,425
UK	64,228	64,725	65,245	65,746	66,040
As % of UK total	8.3%	8.3%	8.2%	8.2%	8.2%

Note: Financial year estimates are calculated as the weighted average of the relevant mid-year estimates. I.e., the 2017-18 population is estimated as three-quarters of the 2017 population plus one quarter of the 2018 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				
	2013-14	2014-15	2015-16	2016-17	2017-18
Current Budget					
Current revenue					
Excluding North Sea revenue	51,089	52,959	53,942	56,608	58,630
Including North Sea revenue (population share)	51,463	53,099	53,935	56,611	58,728
Including North Sea revenue (geographical share)	54,535	54,336	53,993	56,874	59,957
Current expenditure	60,637	61,524	62,340	62,856	64,633
Capital consumption	4,324	4,527	4,468	4,451	4,629
Balance on current budget (surplus is positive, deficit is negative)					
Excluding North Sea revenue	-13,871	-13,092	-12,865	-10,700	-10,633
Including North Sea revenue (population share)	-13,497	-12,952	-12,872	-10,697	-10,535
Including North Sea revenue (geographical share)	-10,426	-11,715	-12,815	-10,433	-9,306
Capital Budget					
Capital expenditure	7,130	7,117	7,152	8,498	8,764
Capital consumption	-4,324	-4,527	-4,468	-4,451	-4,629
Net Investment	2,806	2,589	2,684	4,046	4,135
Net Fiscal Balance (surplus is positive, deficit is negative)					
Excluding North Sea revenue	-16,677	-15,682	-15,549	-14,746	-14,768
Including North Sea revenue (population share)	-16,304	-15,542	-15,556	-14,743	-14,670
Including North Sea revenue (geographical share)	-13,232	-14,304	-15,499	-14,480	-13,441

GDP

Table A.3 below provides the financial year GDP estimates used in GERS.

Table A.3: Scottish GDP including and excluding North Sea GDP					
	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
Scottish GDP					
Excluding North Sea and share of UK extra-regio	140,767	146,785	147,578	151,642	156,481
Including North Sea (population share)	142,722	148,303	149,028	152,994	158,032
Including North Sea (geographical share)	158,800	160,507	160,435	163,745	170,446
UK GDP	1,781,350	1,855,049	1,912,472	1,989,162	2,056,207

Source: Quarterly National Accounts Scotland, <https://www.gov.scot/Topics/Statistics/Browse/Economy/QNAS>; ONS

Note: Scottish GDP including a geographical share of the North Sea also includes a population share of UK overseas public administration and defence activity. Table E in Quarterly National Accounts Scotland provides a more detailed breakdown.

General Government estimates

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 European Commission and the International Monetary Fund (IMF) 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 net fiscal balance results on this basis. As revenue and expenditure are primarily estimated on a financial year and public sector basis, the calendar year estimates below are illustrative and have been derived by apportioning the main GERS estimates.

Table A.4: Calendar year general government estimates: Scotland and UK					
	£ million				
	2013	2014	2015	2016	2017
Net Fiscal Balance					
Excluding North Sea revenue	-16,733	-16,491	-15,888	-15,483	-14,448
Including North Sea revenue (per capita share)	-16,327	-16,267	-15,884	-15,513	-14,350
Including North Sea revenue (geographical share)	-13,011	-14,387	-15,732	-15,571	-13,088
UK	-94,034	-99,197	-80,177	-57,998	-36,126
			As % of GDP		
Excluding North Sea revenue	-12.0%	-11.3%	-10.8%	-10.3%	-9.3%
Including North Sea revenue (per capita share)	-11.6%	-11.0%	-10.7%	-10.2%	-9.2%
Including North Sea revenue (geographical share)	-8.3%	-8.9%	-9.9%	-9.6%	-7.8%
UK	-5.3%	-5.4%	-4.2%	-2.9%	-1.8%

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.

Note that the confidence intervals relate to the latest year of survey data. As GERS often uses data from previous years to estimate values for the latest year, there will likely be larger uncertainty around the latest year estimates than suggested by the table below.

Table A.5: Confidence intervals around survey based apportionments: Scotland					
	£ million				
	Central estimate	95% lower bound	95% upper bound	Range	Range (%)
Income tax	12,544	12,331	12,757	+/-213	+/-1.7%
National insurance contributions	10,592	10,412	10,772	+/-180	+/-1.7%
VAT	10,146	9,922	10,369	+/-223	+/-2.2%
Tobacco duties	972	956	989	+/-17	+/-1.7%
Alcohol duties	1,122	1,033	1,212	+/-90	+/-8.0%
Betting and gaming duties	223	220	226	+/-3	+/-1.4%
Insurance premium tax	408	400	416	+/-8	+/-2.0%
Total survey based apportionments	36,007	35,273	36,741	+/-734	+/-2.0%

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 2017 and this GERS report, a small number of supplementary amendments to the CRA 2017 dataset are 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.6. They are discussed in the detailed expenditure methodology paper available at <https://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/Methodology>.

As the CRA for 2017-18 is not yet published, there are no formal amendments to individual spending lines in 2017-18. The 2016-17 adjustments are in effect carried forward into 2017-18, adjusted for the spending of the responsible department. Further detail is provided in the expenditure methodology note.

In addition to the amendments to the CRA, there are amendments to the estimates of spending in 2017-18 from those published in PESA. This is to bring the increase in Scottish local government current spending in line with the provisional outturn estimates published in July 2018.²² These adjustments are additional to those that would be carried forward from the CRA.

²² <https://www.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/POBEStats>

Table A.6: Amendments to Estimates of Total Public Sector Expenditure on Services from CRA 2017

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
Amendments from the CRA					
Nuclear-related expenditure	-174	-181	-174	-177	-
London Olympics	-1	-17	0	0	-
Pensions revisions	-18	-19	-19	-19	-
Other minor revisions	-27	-58	-38	-72	-
Amendments from PESA					
Local Government spending	-	-	-	-	-294
Total CRA amendments	-220	-276	-231	-268	-
Total PESA amendments	-	-	-	-	-294

Note: Amendments do not include EU Transactions

Expenditure accounting adjustments

Spending in GERS is based on the HM Treasury Total Expenditure on Services (TES) concept, which accounts for around 90% of total spending. Accounting adjustments are used to move from TES to Total Managed Expenditure (TME), the primary measure of public spending used in the UK Public Sector Finances. As discussed in Chapter 1, for the majority of these adjustments, accompanying adjustments are included in revenue estimates, and therefore do not affect the net fiscal balance or current budget balance. This is shown in more detail in Table A.10.

In order to present Scottish Government and Scottish 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 bodies. Currently, capital consumption, VAT refunds, the subsidy to the Housing Revenue Account, Local Authority Pensions, and Scottish housing associations are allocated to the Scottish Government or Scottish local government. Other elements are allocated to other UK Government bodies operating in Scotland.

Table A.7 below shows the accounting adjustments applied to UK spending in GERS to move from TES to TME. Table A.8 shows the adjustments for Scotland.

Table A.7: Expenditure Accounting Adjustment: UK

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
UK total managed expenditure (TME)	733,813	750,445	756,767	771,981	789,460
UK total expenditure on services (TES)	675,873	687,821	701,689	709,651	733,634
UK accounting adjustment	57,940	62,624	55,078	62,330	55,826
of which current expenditure:					
Central government capital consumption	17,583	17,944	18,313	18,313	18,501
Local government capital consumption	10,024	10,534	11,038	11,539	12,036
Current VAT refunds	11,554	11,517	11,826	11,956	12,100
Imputed subsidy from Local Authorities to the Housing Revenue Account ¹	359	588	650	884	1,081
Imputed flows for Renewable Obligation Certificates ²	2,532	3,064	3,900	4,672	6,072
Local authority pensions	2,100	2,000	2,000	2,200	2,400
Network Rail	357	1,002	0	0	0
British Transport Police Service Agreements	130	133	150	145	145
Current expenditure residual	3,900	3,887	-2,507	-375	-3,221
of which capital expenditure:					
Capital VAT refunds	2,092	2,085	2,186	1,779	1,686
Network Rail	2,730	2,261	0	0	0
Housing associations	4,613	7,752	5,486	7,386	6,256
Capital expenditure residual	-34	-143	2,035	3,830	-1,230

¹ 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 imputes 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).

² Renewable Obligation Certificates are bought and sold by energy companies. The ONS has decided that these flows should be channelled through central government and so impute offsetting amounts of spending and income.

Table A.8: Expenditure Accounting Adjustment: Scotland					
	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
Scottish total managed expenditure (TME)	67,767	68,640	69,492	71,354	73,398
Scottish total expenditure on services (TES)	62,767	63,582	64,906	65,893	68,346
Scottish accounting adjustment	5,000	5,058	4,586	5,461	5,052
Percentage of UK accounting adjustment	8.6%	8.1%	8.3%	8.8%	9.0%
Of which current expenditure:					
Central government capital consumption	1,503	1,444	1,380	1,413	1,420
Local government capital consumption	1,034	1,113	1,162	1,217	1,269
Current VAT refunds	1,018	1,010	1,058	1,081	1,093
Imputed subsidy from Local Authorities to the Housing Revenue Account ¹	28	46	50	68	83
Imputed flows for Renewable Obligation Certificates ²	300	364	463	554	720
Local authority pensions	191	187	186	207	225
Network Rail	18	24	0	0	0
British Transport Police Service Agreements	11	11	13	12	12
Current expenditure residual	324	322	-207	-31	-265
Of which capital expenditure:					
Capital VAT refunds	184	183	196	161	152
Network Rail	74	-100	0	0	0
Housing associations	318	468	118	463	443
Capital expenditure residual	-4	-13	167	315	-101

^{1, 2} See notes to Table A.7

The table below shows which parts of the Scottish expenditure accounting adjustments are included as revenues, and where they appear in the revenue tables.

Table A.9: Accounting Adjustments, Revenue and Expenditure: Scotland, 2017-18			
	Expenditure AA	Revenue AA	Revenue line
	£ million		
Of which current expenditure:			
Central government capital consumption	1,420	1,420	Gross operating surplus
Local government capital consumption	1,269	1,269	Gross operating surplus
Current VAT refunds	1,093	1,093	VAT
Imputed subsidy from Local Authorities to the Housing Revenue Account	83	-	n/a
Imputed flows for Renewable Obligation Certificates	720	720	Other taxes, royalties, and adjustments
Local authority pensions	225	-	n/a
British Transport Police Service Agreements	12	12	Other taxes, royalties, and adjustments
Current expenditure residual	-265	-	n/a
Of which capital expenditure:			
Capital VAT refunds	152	152	VAT
Network Rail	0	-	n/a
Royal Mail Pension Plan	0	-	n/a
Housing associations	443	-	n/a
Capital expenditure residual	-101	-	n/a
Total accounting adjustments	5,052	4,667	

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.10 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 2016-17 rather than 2017-18, as this is the latest year for which published accounts are available for both the Scottish Government and Scottish local government. 2017-18 figures in GERS are based on provisional outturn estimates.

Table A.10: Reconciliation of published budget documents to GERS expenditure Table 3.8	
	£ billion 2016-17
Scottish Government	
Published Scottish Government budget ¹	37.3
Spending by Audit Scotland and Scottish Parliament	0.1
Public corporation (PC) capital spending	0.5
Timing differences	-0.3
Total Scottish Government & associated PC expenditure	37.6
Adjustments to align budget to CRA measure of spending	
Grants to other public sector bodies (e.g. local government)	-10.5
Pensions	-3.1
Depreciation	-0.8
Financial transactions associated with student loans and public corporations	-0.7
Adjustments to move from spend 'in' Scotland to spend 'for' Scotland ²	-0.1
Other	-0.2
Final Scottish Government & PC expenditure on services for Scotland	22.5
Scottish Local Government	
Published Local Government gross current expenditure ³	12.6
Income excluding grants from Central Government ⁴	-2.2
Housing benefit	1.7
Published Local Government gross capital expenditure ⁵	2.8
Income from sales of capital assets ⁶	-0.2
Final Scottish Local Government & associated PC expenditure on services for Scotland	14.7
Scottish Government, Local Government, & PC expenditure on services for Scotland	
	37.2
National Accounts adjustments⁷	
Capital consumption	2.6
VAT refunds	1.2
Other accounting adjustments	0.8
Final Scottish Government, Scottish Local Government & PC TME	41.9

¹ Scottish Government Draft Budget 2018-19 Annex D

² These are adjustments made to Scottish Government spending in HM Treasury's CRA publication. They primarily relate to spending on museums and pensions, to reflect where spending undertaken by the Scottish Government benefits residents from the rest of the UK.

³ Scottish Local Government Finance Statistics 2016-17, Annex B. Total General Fund (excluding the Housing Revenue Account and trading with the public) employee costs, operating costs, and support services costs after statutory adjustments, less recharges

⁴ As Note 3. Total General Fund (excluding the Housing Revenue Account and trading with the public) income less government grants

⁵ As Note 3. All services total gross capital expenditure (Annex G)

⁶ As Note 3. Total capital receipts from sales of assets (Annex I)

⁷ See Table A.8

B REVISIONS

This section presents revisions from the previous GERS 2016-17 publication.

Revisions to Non-North Sea Revenue Estimates from GERS 2016-17

Table B.1 summarises the revisions in this edition of GERS to total non-North Sea revenue. Revisions to Scottish estimates can stem from three sources: revisions to UK totals; revisions to apportionment data; and updated apportionment methodologies. There are no methodology changes in GERS 2017-18.

There are a number of revisions to UK revenue totals from GERS 2016-17. Some of these do not affect estimates of Scottish revenue. UK interest and dividends has been revised as the ONS has taken on new data for English housing associations, and UK non-domestic rates have been revised following a review of the recording of rates in England.

Other revisions do impact Scottish estimates. UK corporation tax has been revised following updated information provided by HMRC, and income tax has been revised up following stronger receipts.

Table B.1: Revision to Estimates of Total Non-North Sea Revenue				
	£ million			
	2013-14	2014-15	2015-16	2016-17
Scotland				
Estimates published in GERS 2016-17	50,805	52,640	54,446	57,743
Estimates published in GERS 2017-18	51,089	52,959	53,942	56,608
Revision (£m)	285	319	-503	-1,135
<i>Of which: income tax</i>	0	0	-272	-451
<i>Of which: national insurance contributions</i>	0	-8	-301	-328
<i>Of which: value added tax</i>	-8	20	-50	-316
UK				
Estimates published in GERS 2016-17	629,982	655,909	681,878	724,312
Estimates published in GERS 2017-18	631,095	658,263	684,393	726,259
Revision (£m)	1,113	2,354	2,515	1,947
<i>Of which: income tax</i>	-4	-3	-6	1,324
<i>Of which: national insurance contributions</i>	0	0	0	74
<i>Of which: value added tax</i>	0	0	201	335
Scotland/UK ratio				
Estimates published in GERS 2016-17	8.1%	8.0%	8.0%	8.0%
Estimates published in GERS 2017-18	8.1%	8.0%	7.9%	7.8%
Revision (% point)	0.0%	0.0%	-0.1%	-0.2%

The majority of changes to Scottish revenue reflect updated apportionment data. These relate to income tax, national insurance contributions, and VAT. The new Scottish Government powers around tax following Scotland Act 2016 has led to new data sources

and more timely information becoming available for income tax and VAT. The impact of these on the forecast is discussed in more detail in the GERS revenue methodology note.²³

Table B.2: Revision to Estimates of Public Sector Revenue: Scotland and UK 2016-17				
	£ million		%	
	Scotland	UK	Scotland	UK
Income tax	-451	1,324	-3.5%	0.8%
National insurance contributions	-328	74	-3.2%	0.1%
Value added tax	-316	335	-3.1%	0.3%
Corporation tax (excluding North Sea)	-165	-1,480	-4.2%	-2.7%
Fuel duties	4	1	0.2%	0.0%
Non-domestic rates	0	145	0.0%	0.5%
Council tax	-7	-164	-0.3%	-0.5%
VAT refunds	21	0	1.7%	0.0%
Capital gains tax	-18	-324	-4.7%	-3.7%
Inheritance tax	7	-11	2.6%	-0.2%
Reserved stamp duties	19	449	6.1%	3.0%
Scottish land & buildings transaction tax	18	18	3.8%	3.8%
Scottish landfill tax	0	0	0.1%	0.1%
Air passenger duty	1	8	0.3%	0.2%
Tobacco duties	-130	0	-11.8%	0.0%
Alcohol duties	37	0	3.6%	0.0%
Insurance premium tax	4	63	1.2%	1.3%
Vehicle excise duties	8	0	1.8%	0.0%
Environmental levies	-2	-23	-0.3%	-0.4%
Other taxes	-4	270	-0.2%	1.4%
Total Non-North Sea taxes	-1,301	685	-2.5%	0.1%
Other Revenue				
Interest and dividends	-13	272	-3.4%	4.3%
Gross operating surplus	151	165	3.5%	0.3%
Other receipts	28	825	7.2%	34.4%
Total non-North Sea revenue	-1,135	1,947	-2.0%	0.3%

²³ <https://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/Methodology>

Revisions to North Sea Revenue Estimates from GERS 2016-17

Table B.3 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. Estimates are largely unrevised, although there is an upward revision in 2016-17.

Table B.3: Revisions to North Sea Revenue: 2013-14 to 2016-17				
	£ million			
	2013-14	2014-15	2015-16	2016-17
Scotland (illustrative geographical share)				
Estimates published in GERS 2016-17	3,448	1,374	56	208
Estimates published in GERS 2017-18	3,446	1,377	50	266
Revision	-2	3	-5	58
UK				
Estimates published in GERS 2016-17	4,499	1,691	-80	84
Estimates published in GERS 2017-18	4,499	1,691	-85	36
Revision	0	0	-5	-48

A discussion of revisions to all taxes between 2013-14 and 2016-17 is provided in the GERS 2017-18 Revenue Methodology note available on the GERS website.

Revisions to Expenditure Estimates from GERS 2016-17

Table B.4 sets out the changes in estimates of public expenditure in Scotland and the UK between this report and GERS 2016-17. These reflect revisions to Scottish Government and Scottish local government spending data, revisions to UK spending totals, and revisions to the data sources used to apportion expenditure to Scotland. Revisions to public expenditure that can be traced to changes to the total expenditure on services (TES) measure are specified separately.

Total public sector expenditure has been revised up for Scotland in all years. This in part reflects a change in the reporting of tax credits to private companies. In three of the last four years the revision is equivalent to an increase of 0.1%, with the revision in 2015-16 an increase of 0.5%.

Table B.4: Revisions to Estimates of Total Managed Expenditure: 2013-14 to 2016-17				
	£ million			
	2013-14	2014-15	2015-16	2016-17
Scotland				
Estimates published in GERS 2016-17	67,581	68,487	69,048	71,209
Estimates published in GERS 2017-18	67,767	68,640	69,492	71,354
Revision	186	154	444	145
<i>Of which revisions to TES</i>	193	211	236	-189
<i>Of which, housing associations (HAs)</i>	0	0	0	-59
<i>Of which revisions to accounting adjustment (excl HAs)</i>	-8	-58	207	394
UK				
Estimates published in GERS 2016-17	736,555	751,988	753,917	770,611
Estimates published in GERS 2017-18	733,813	750,445	756,767	771,981
Revision	-2,742	-1,543	2,850	1,370
<i>Of which revisions to TES</i>	1,030	1,162	2,458	-868
<i>Of which housing associations (HAs)</i>	-2,108	203	-113	61
<i>Of which revisions to accounting adjustment (excl HAs)</i>	-1,664	-2,908	505	2,177
Scotland/UK Ratio				
Estimates published in GERS 2016-17	9.2%	9.1%	9.2%	9.2%
Estimates published in GERS 2017-18	9.2%	9.1%	9.2%	9.2%
Revision (% point)	0.1%	0.0%	0.0%	0.0%

The table below shows the revisions to spend in 2016-17 by function, and by Scottish Government, Scottish local government, Scottish public corporations, and Other UK government bodies. Overall, Scottish spend in 2016-17 has been revised up by £145 million. This is primarily driven by revised estimates of Scottish housing associations' capital spending, which increases spend by £118 million. Increases in other UK government department spending, resulting from the incorporation of data from the 2016-17 Country and Regional Analysis publication, are offset by decreases in Scottish Government and Local Government spending, resulting from the move from provisional to final outturn data.

The main increase in other UK government department spending relates to transport, which reflects continuing improvements to estimates of Network Rail spending for Scotland, following its reclassification into the government sector.

Table B.5: Revisions to Estimates of Public Sector Expenditure: Scotland and UK 2016-17

	£ million					
	Scotland					UK
	Scottish Government	Local Government	Scottish Public Corporations	Other UK Government Bodies	Total	
General public services						
Public and common services	-8	-18	0	9	-17	-640
International services	0	0	0	85	85	1,053
Public sector debt interest	0	0	0	56	56	778
Defence	0	0	0	4	4	140
Public order and safety	0	0	0	-17	-17	-60
Economic affairs						
Enterprise and economic development	27	92	0	39	158	2,192
Science and technology	3	0	0	-11	-9	593
Employment policies	0	0	0	-9	-9	-60
Agriculture, forestry and fisheries	-77	-19	2	-4	-99	-132
Transport	-5	-21	5	210	189	-1,248
Environment protection	-5	7	0	-6	-4	-216
Housing and community amenities	0	-101	-1	20	-82	-272
Health	0	0	0	8	8	-1,751
Recreation, culture and religion	-1	-3	0	34	29	-20
Education and training	-3	93	0	19	109	-2,269
Social protection	3	-251	0	-417	-665	1,045
EU Transactions	0	0	0	74	74	-2
Accounting adjustments	-29	0	118	245	335	2,238
Total revision	-94	-221	124	338	145	1,370
<i>Of which, HAs</i>	<i>0</i>	<i>0</i>	<i>118</i>	<i>-177</i>	<i>-59</i>	<i>61</i>

Revisions to Estimates of Capital Consumption from GERS 2016-17

Table B.6 sets out the changes to estimates of capital consumption in Scotland and the UK between this report and GERS 2016-17. 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.6: Revisions to capital consumption: 2013-14 to 2016-17				
	£ million			
	2013-14	2014-15	2015-16	2016-17
Scotland				
Estimates published in GERS 2016-17	4,066	4,276	4,294	4,331
Estimates published in GERS 2017-18	4,324	4,527	4,468	4,451
Revision	258	251	174	120

In general, capital consumption in all years has been revised up, reflecting the incorporation of the latest ONS Regional Accounts data.

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 2016-17

Table B.7 shows revisions to the current budget balance from the previous publication of GERS. The UK current budget balances has improved in all years, whilst the Scottish current budget balance excluding the North Sea has worsened slightly in 2013-14 and 2015-16, and by larger amounts in 2015-16 and 2016-17. This reflects a number of factors. Firstly, it reflects the fact that much of the improvement in the UK position is due to revised figures for English non-domestic rates, which has not affected the Scottish estimate. Secondly, it reflects the downward revisions to income tax, national insurance contributions, and VAT for Scotland in 2015-16 and 2016-17.

Table B.7: Revisions to Estimates of the Current Budget Balance: 2013-14 to 2016-17

	£ million			
	2013-14	2014-15	2015-16	2016-17
Estimates published in GERS 2016-17				
Excluding North Sea revenue	-13,792	-12,989	-11,983	-9,776
Including North Sea revenue (per capita share)	-13,419	-12,849	-11,990	-9,769
Including North Sea revenue (geographical share)	-10,345	-11,615	-11,927	-9,568
UK	-70,094	-57,440	-40,491	-8,053
Estimates published in GERS 2017-18				
Excluding North Sea revenue	-13,871	-13,092	-12,865	-10,700
Including North Sea revenue (per capita share)	-13,497	-12,952	-12,872	-10,697
Including North Sea revenue (geographical share)	-10,426	-11,715	-12,815	-10,433
UK	-67,524	-53,877	-38,385	-7,214
Difference (£ million) (positive shows improvement)				
Excluding North Sea revenue	-79	-103	-882	-924
Including North Sea revenue (per capita share)	-78	-103	-882	-928
Including North Sea revenue (geographical share)	-81	-100	-888	-865
UK	2,570	3,563	2,106	839

Table B.8 shows revisions to the net fiscal balance from the previous publication of GERS. The revisions pattern is quite similar to that for the current budget balance.

Table B.8: Revisions to Estimates of the Net Fiscal Balance: 2013-14 to 2016-17

	£ million			
	2013-14	2014-15	2015-16	2016-17
Estimates published in GERS 2016-17				
Excluding North Sea revenue	-16,776	-15,847	-14,602	-13,465
Including North Sea revenue (per capita share)	-16,403	-15,707	-14,609	-13,458
Including North Sea revenue (geographical share)	-13,329	-14,473	-14,546	-13,257
UK	-102,074	-94,388	-72,119	-46,215
Estimates published in GERS 2017-18				
Excluding North Sea revenue	-16,677	-15,682	-15,549	-14,746
Including North Sea revenue (per capita share)	-16,304	-15,542	-15,556	-14,743
Including North Sea revenue (geographical share)	-13,232	-14,304	-15,499	-14,480
UK	-98,219	-90,491	-72,459	-45,686
Difference (£ million) (positive shows improvement)				
Excluding North Sea revenue	99	165	-947	-1,281
Including North Sea revenue (per capita share)	99	165	-947	-1,285
Including North Sea revenue (geographical share)	97	169	-953	-1,223
UK	3,855	3,897	-340	529

In addition to revisions to the fiscal aggregates in cash terms, there are also changes to the fiscal aggregates expressed as a share of GDP due to revisions to GDP estimates. These are shown in Tables B.9 and B.10 for the current budget balance and the net fiscal balance respectively. If there had been no revisions to estimates of the fiscal aggregates in cash terms, previous estimates would generally have improved by around 0.2 percentage points in 2013-14 and 2014-15, although less in more recent years. This reflects upward revisions to the nominal value of GDP in all years made in the latest Quarterly National Accounts Scotland, following the annual publication of updated Supply and Use Tables for 1998-2015 in July.

B Revisions

The main source of the revisions to GDP is the development of the Balanced Approach to regional GVA by ONS,²⁴ and the new information that these statistics have introduced to the annual Supply and Use tables. In addition, GDP growth since 2015 has also been revised due to changes to the measurement of construction activity in Scotland.

Table B.9: Impact of Revisions to GDP on Estimates of the Current Budget Balance				
	2013-14	2014-15	2015-16	2016-17
Estimates published in GERS 2016-17	% of GDP			
Excluding North Sea revenue	-10.0%	-9.0%	-8.2%	-6.5%
Including North Sea revenue (population share)	-9.6%	-8.8%	-8.2%	-6.5%
Including North Sea revenue (geographical share)	-6.6%	-7.4%	-7.7%	-6.0%
UK	-4.0%	-3.1%	-2.1%	-0.4%
GERS 2016-17 estimate with latest GDP estimates	% of GDP			
Excluding North Sea revenue	-9.8%	-8.8%	-8.1%	-6.4%
Including North Sea revenue (population share)	-9.4%	-8.7%	-8.0%	-6.4%
Including North Sea revenue (geographical share)	-6.5%	-7.2%	-7.4%	-5.8%
UK	-3.9%	-3.1%	-2.1%	-0.4%
Change (positive denotes improvement)	% point difference			
Excluding North Sea revenue	0.2%	0.2%	0.1%	0.1%
Including North Sea revenue (population share)	0.2%	0.2%	0.1%	0.1%
Including North Sea revenue (geographical share)	0.1%	0.2%	0.2%	0.2%
UK	0.0%	0.0%	0.0%	0.0%

Table B.10: Impact of Revisions to GDP on Estimates of the Net Fiscal Balance				
	2013-14	2014-15	2015-16	2016-17
Estimates published in GERS 2016-17	% of GDP			
Excluding North Sea revenue	-12.2%	-11.0%	-10.0%	-9.0%
Including North Sea revenue (population share)	-11.7%	-10.8%	-10.0%	-8.9%
Including North Sea revenue (geographical share)	-8.6%	-9.2%	-9.3%	-8.3%
UK	-5.8%	-5.1%	-3.8%	-2.4%
GERS 2016-17 estimate with latest GDP estimates	% of GDP			
Excluding North Sea revenue	-11.9%	-10.8%	-9.9%	-8.9%
Including North Sea revenue (population share)	-11.5%	-10.6%	-9.8%	-8.8%
Including North Sea revenue (geographical share)	-8.4%	-9.0%	-9.1%	-8.1%
UK	-5.7%	-5.1%	-3.8%	-2.3%
Change (positive denotes improvement)	% point difference			
Excluding North Sea revenue	0.2%	0.2%	0.1%	0.1%
Including North Sea revenue (population share)	0.2%	0.2%	0.1%	0.1%
Including North Sea revenue (geographical share)	0.2%	0.2%	0.3%	0.2%
UK	0.1%	0.1%	0.1%	0.0%

²⁴ <https://www.ons.gov.uk/economy/grossvalueaddedgva/bulletins/regionalgrossvalueaddedbalanceduk/previousReleases>

C

LIST OF ABBREVIATIONS

CRA	Country and Regional Analysis
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
IMF	International Monetary Fund
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
PPP	Public Private Partnerships
QNAS	Quarterly National Accounts Scotland
TES	Total Expenditure on Services
TME	Total Managed Expenditure
UK	United Kingdom
UN	United Nations
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.

Classifications of the Functions of Government: the functions in GERS are based on the UN's Classification of the Functions of Government (COFOG). The tables are consistent with UN COFOG level 1, with additional detail provided for general public services and economic affairs. Further detail is provided in Public Expenditure Statistical Analyses.

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. It is consistent with the UN's System of National Accounts 2008.

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.

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.

Outturn: expenditure (revenue) actually incurred (received) to date

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 expenditure in the UK public finances.

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.

A National Statistics publication for Scotland

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

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.

Correspondence and enquiries

For enquiries about this publication please contact:

Sandy Stewart

Office of the Chief Economic Advisor,

Telephone: 0131 244 2825

e-mail: economic.statistics@gov.scot

For general enquiries about Scottish Government statistics please contact:

Office of the Chief Statistician, Telephone: 0131 244 0442,

e-mail: statistics.enquiries@gov.scot

How to access background or source data

The data collected for this statistical publication:

are available in more detail through Scottish Neighbourhood Statistics

are available via an alternative route

may be made available on request, subject to consideration of legal and ethical factors.

Please contact economic.statistics@gov.scot for further information.

cannot be made available by Scottish Government for further analysis as Scottish Government is not the data controller.

Complaints and suggestions

If you are not satisfied with our service or have any comments or suggestions, please write to the Chief Statistician, 2W, St Andrew's House, Edinburgh, EH1 3DG, Telephone: 0131 244 0302, e-mail statistics.enquiries@gov.scot.

If you would like to be consulted about statistical collections or receive notification of publications, please register your interest at www.gov.scot/scotstat
Details of forthcoming publications can be found at www.gov.scot/statistics

ISBN 978-1-78781-154-6

Crown Copyright

You may use or re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. See:

www.nationalarchives.gov.uk/doc/open-government-licence/



Scottish Government
Riaghaltas na h-Alba
gov.scot

© Crown copyright 2018

Further copies of this publication can be obtained from:
Office of the Chief Economic Adviser
Scottish Government
St Andrew's House
Regent Road
Edinburgh
EH1 3DG

This document is also available on The Scottish Government website:
www.gov.scot

ISBN: 978-1-78781-154-6

The text pages of this document are printed on recycled paper
and are 100% recyclable.

APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS445506 (08/18)