

# **GOVERNMENT EXPENDITURE AND REVENUE SCOTLAND**

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## **DETAILED EXPENDITURE METHODOLOGY PAPER 2018-19**

This paper outlines the methodologies used to estimate public sector expenditure for Scotland.

### **Approach to estimating expenditure in GERS**

Expenditure in GERS is split into two broad types. Total expenditure on services (TES) and total managed expenditure (TME). Broadly speaking, Total expenditure on services represents actual spending undertaken by the public sector, whilst total managed expenditure, which is the primary measure of spending used in the Public Sector Finances, also includes a number of accounting adjustments. The main difference between TES and TME is that TME includes capital consumption (depreciation) and does not reverse the deduction of certain VAT refunds. The sections below describe how TES is estimated for Scotland.

The approach to estimating Scottish TES depends on the body which is undertaking the spending, as discussed below.

#### **Scottish Government spending**

Data are provided directly by the Scottish Government Directorate for Financial Management. This includes the spending of Scottish Government funded public corporations, which include Scottish Water, Caledonian Maritime Assets Ltd, and Forest Enterprise Scotland.

#### **Scottish local government spending**

Data are taken directly from HM Treasury's Public Expenditure Statistical Analyses (PESA) publication.<sup>1</sup> Local government spending includes spending on council-owned housing stock, which under the Housing (Scotland) Act 1987 local authorities in Scotland are required to account for separately in a Housing Revenue Account (HRA). In the public sector finances, the HRA is classed as a public corporation.

#### **Other UK government spending**

Other government includes all parts of the public sector not funded by the Scottish Government or Scottish local authorities. This includes spending by:

- UK government departments, such as social security spending by the Department for Work and Pensions, defence spending by the Ministry of Defence, and debt interest expenditure by HM Treasury;
- UK government bodies, such as Network Rail and the security and intelligence agencies;
- UK public corporations, including the Bank of England;
- Local government in England, Wales, and Northern Ireland.

Data for the years 2013-14 to 2017-18 are consistent with HM Treasury's latest Country and Regional Analysis (CRA) publication. Data prior to 2013-14 are based on previous CRA publications. Data for 2018-19 are taken from a number of sources, discussed in more detail below.

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<sup>1</sup> <https://www.gov.uk/government/collections/public-expenditure-statistical-analyses-pesa>

## Scottish Government spending estimates

Scottish Government expenditure in GERS is provided by the Scottish Government Directorate for Financial Management, as reported on the UK Government's public spending system, OSCAR. Data for 2018-19 are provisional final outturn, whilst earlier years are audited final outturn. Data from OSCAR are available at:

<https://www.gov.uk/government/collections/hmt-oscar-publishing-from-the-database>

The approach to deriving Scottish Government spending for GERS is shown in the Table below, using 2017-18 as an example. Scottish Government expenditure for 2017-18 is £39.5 billion. This has been converted to the TES concept using a lookup provided by HM Treasury. The adjustments made to the data are summarized in the table below. This follows the same approach as used in the CRA and Table A.10 in the main GERS publication, and so includes Scottish public corporation capital spending against the Scottish Government, as the sponsoring department.

<b>Table 1: Derivation of Scottish Government and Public Corporation expenditure for 2017-18 (£ billion)</b>	
	<b>£ billion 2017-18</b>
<b>Scottish Government</b>	
Scottish Government OSCAR data (includes spending by Audit Scotland and Scottish Parliament)	39.3
Public corporation capital expenditure	0.5
Timing differences	-0.3
<b>Total Scottish Government and public corporation (PC) expenditure</b>	<b>39.5</b>
<b>Adjustments to align budget to CRA measure of spending</b>	
Grants to other public sector bodies (e.g. local government)	-10.5
Pensions	-4.4
Depreciation	-0.7
Financial transactions associated with student loans and public corporations	-1.1
Adjustments to move from spend 'in' Scotland to spend 'for' Scotland <sup>2</sup>	-0.1
Other	0.3
<b>Final Scottish Government and PC expenditure on services for Scotland</b>	<b>23.0</b>

Note: figures in the table may not sum due to rounding

<sup>1</sup> 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.

## Local government spending estimates

Estimates of Scottish local government spending are taken directly from PESA. Current expenditure is taken from Table 7.5. Capital expenditure is calculated as gross capital expenditure (Table 7.6) less capital receipts (Table 7.7). The spending estimates in PESA are consistent with the local authority spending figures published in Scottish Local Government Financial Statistics.<sup>2</sup> GERS uses the figures from PSS as it converts the Scottish figures from SeRCOP categories<sup>3</sup> used by local authorities to the UN COFOG categories used in GERS. The table below reconciles local government spending in GERS to the latest published Scottish Local Government Statistics, which cover 2017-18.

<sup>2</sup> <http://www.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/PubScottishLGFStats>

<sup>3</sup> <https://www.cipfa.org/policy-and-guidance/publications/s/service-reporting-code-of-practice-for-local-authorities-201718-online>

As Scottish Local Government Financial Statistics for 2018-19 are not yet published, the 2018-19 figures are based on provisional outturn estimates.<sup>4</sup>

**Table 2: Reconciliation of GERS local government expenditure to Scottish Local Government Financial Statistics**

	£ billion 2017-18
Published Local Government gross current expenditure <sup>1</sup>	12.9
Income excluding grants from Central Government <sup>2</sup>	-2.3
Housing benefit	1.7
Published Local Government gross capital expenditure <sup>3</sup>	3.0
Income from sales of capital assets <sup>4</sup>	-0.1
<b>Final Scottish Local Government expenditure on services for Scotland</b>	<b>15.1</b>

<sup>1</sup> Scottish Local Government Finance Statistics 2017-18, Annex B.

Total General Fund (excluding the Housing Revenue Account and trading with the public) employee costs, operating costs, and support services costs, less inter-authority recharges (adjustments for LFR purposes).

<sup>2</sup> As Note 1. Total General Fund (excluding the Housing Revenue Account and trading with the public) income less government grants

<sup>3</sup> Scottish Local Government Finance Statistics 2017-18, Annex G. All services total gross capital expenditure

<sup>4</sup> Scottish Local Government Finance Statistics 2017-18, Annex I. Total capital receipts used from asset sales/disposals

## Other UK government spending

Spending for other UK government bodies comes from a variety of sources.

Spending on defence, public sector debt interest, and international services, which Scotland is allocated a population share of in GERS, is taken directly from PESA.

Spending by other UK government bodies on other functions for 2017-18 and earlier are based on the Country and Regional Analysis (CRA) database, published by HM Treasury.<sup>5</sup> In the CRA, UK Government departments and devolved administrations allocate their expenditure programmes to Scotland, Wales, Northern Ireland and the English regions. The CRA uses the total expenditure on services (TES) spending concept to analyze public expenditure by function. Total expenditure on services covers around 90% of total managed expenditure (TME), which is the aggregate measure of public expenditure used in the UK national accounts. Accounting adjustments are used to move from the TES measure to the TME measure.

The CRA separates total public spending into two components:

- Identifiable expenditure: that is expenditure that can be clearly allocated to a country or region in terms of having been spent for the benefit of that country or region; and
- Non-identifiable expenditure: that is expenditure that cannot be identified as benefiting a particular country or region of the UK but is instead incurred on behalf of the UK as a whole.

In GERS, the methodology to apportion non-identifiable expenditure and identifiable expenditure which occurs outside the UK to Scotland varies according to the particular expenditure estimated. The methodologies used are listed in Table 3. Each reflects the approach that is thought to capture most appropriately the 'who benefits' principle.

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

<sup>5</sup> <https://www.gov.uk/government/collections/country-and-regional-analysis>

**Table 3: Apportionment Methodologies for Non-Identifiable Expenditure<sup>1</sup>**

	Non-Identifiable UK Expenditure	Outside the UK	New non-identifiable expenditure in CRA 2018 from CRA 2017
General public services			
Public and common services	Population	Population	Yes – UK non-ID
International services	Population	Population	Yes – UK non-ID
Public sector debt interest	Population	n/a	No
Defence	Population	n/a	Yes – UK non-ID
Public order and safety	Population	n/a	No
Economic affairs			
Enterprise and econ development	Population	Population	Yes – UK non-ID
Science and technology	GVA	Population	No
Employment policies	n/a	Population	No
Agriculture, forestry and fisheries	n/a	Population	No
Transport	GVA	Population	No
Environment protection <sup>2</sup>	GVA & Population	Population	No
Housing and community amenities	n/a	n/a	No
Health	n/a	Population	No
Recreation, culture and religion	Population	Population	No
Education and training	n/a	Population	No
Social protection	Population	Population	No
Accounting adjustments – EU transactions	Population	Population, GNI, & VAT	No
Accounting adjustments – PSF adjustment	Various (see section below)	Various (see section below)	n/a

1: Where there is no UK non-identifiable expenditure this is entered as not applicable (n/a).

2: All environment protection expenditure is apportioned on a GVA basis, except UKAEA and BNF expenditure on nuclear decommissioning, which is apportioned on a per capita basis.

## Amendments to CRA Data

A number of significant improvements have been made to the CRA database in recent years to apportion expenditure more accurately to countries and regions. While many anomalies in previous editions of the CRA have been addressed and are now reflected in both CRA 2018 and this GERS report, a small number of supplementary amendments to the CRA 2018 dataset were made in producing GERS. The aim of these refinements was to ensure that the public sector expenditure figure for Scotland captures as accurately as possible expenditure for the benefit of Scotland.

The total amendment made to the CRA in producing this edition of GERS is shown in Table 4 below. In the financial year 2017-18, the figure of total expenditure on services attributed to Scotland in GERS is £144 million lower than the corresponding CRA figure (using default apportionments for non-identifiable expenditure without further consideration, and excluding the adjustments made to EU transactions using data from Scottish Government accounts).

**Table 4: Amendments to Estimates of Total Public Sector Expenditure on Services from CRA 2018**

	£ million			
	2014-15	2015-16	2016-17	2017-18
Nuclear related-expenditure	-54	-50	-59	-57
London Olympics	-17	0	0	0
Pensions revisions	-19	-19	-19	-20
Other minor revisions	-49	-33	-68	-67
<b>Total</b>	<b>-139</b>	<b>-102</b>	<b>-146</b>	<b>-144</b>

### ***Nuclear Decommissioning and Related Expenditures***

In CRA 2018, expenditure on nuclear decommissioning is classified as identifiable to the region where nuclear facilities are located. However, as discussed in previous editions of GERS,<sup>6</sup> it is believed that this expenditure is best captured as a non-identifiable expenditure, so nuclear decommissioning and associated expenditure is apportioned on a population basis.

### ***2012 Olympics***

Although some Olympics expenditures were assigned to London in the latest CRA not all were identified in that way. Consequently, as discussed in previous editions of GERS,<sup>7</sup> all capital expenditure associated with the Olympics has been assigned to the rest of the UK, primarily London and surrounding area, on the basis that Scotland will not receive a lasting benefit from the infrastructure and regeneration associated with the games. Current expenditure on the Olympics has been assigned across the countries and regions of the UK using the estimated regional distribution of the associated increase in tourism expenditure.

### ***Pensions revisions***

In CRA 2018, some spending by the English and Wales NHS and Teachers' pensions schemes and the Scottish Public Pension Agency is recorded as benefitting residents outside the UK. In GERS, all expenditure by the Scottish Public Pension Agency outside the UK is apportioned to Scotland, rather than a population share as is standard for other outside UK expenditures, whilst Scotland is apportioned none of the expenditure associated with the England and Wales schemes.

### ***Other Amendments***

A number of other minor amendments have been made to the CRA to correct asymmetries in the regional attribution of expenditures related to consumer protection, civil aviation, tourism and libraries amongst others. These are discussed further in previous editions of GERS.

### **Adjustments to CRA Data**

The CRA data provide a country and regional breakdown of UK spending on TES, which is broadly consistent with PESA published in July 2019. Since CRA 2018, there have been a number of revisions to UK TES, which need to be reflected in GERS spending figures. The revisions to UK TES are shown in the table below.

<sup>6</sup> See Box 6.3 in GERS 2008-09: <http://www.gov.scot/Publications/2010/06/22160331/9>

<sup>7</sup> See Box 6.3 in GERS 2009-10: <http://www.gov.scot/Publications/2011/06/21144516/8>

**Table 5: Revisions to UK Total Expenditure on Services from CRA 2018**

	£ million			
	2014-15	2015-16	2016-17	2017-18
General public services				
Public and common services	121	130	124	348
International services	0	-190	-2	-164
Public sector debt interest	0	0	1	102
Defence	0	0	-9	23
Public order and safety	1	0	8	-39
Economic affairs				
Enterprise and economic development	311	360	271	379
Science and technology	-76	-76	0	-45
Employment policies	19	16	8	4
Agriculture, forestry and fisheries	-4	-3	-3	-14
Transport	182	175	240	-2,112
Environment protection	-1	-1	0	-1
Housing and community amenities	0	1	0	-85
Health	0	0	0	1,587
Recreation, culture and religion	1	1	1	-411
Education and training	0	1	-1,840	-867
Social protection	80	80	85	-84
EU Transactions	0	0	0	0
<b>Total</b>	<b>636</b>	<b>492</b>	<b>-1,115</b>	<b>-1,381</b>

Revisions to UK TES come from a number of sources. The majority of revisions relate to 2017-18, and reflect the move from provisional outturn to final outturn for most spend types. There have also been revisions to UK spending on education and training, reflecting revised data from the Department for Education relating to academies in England.

The treatment of these revisions is discussed in the table below. For expenditure lines where the majority of spending for Scotland is devolved, revisions to UK spending are assumed not to affect Scotland.

The effect of including these revisions in the Scottish estimate is to increase the overall estimate of Scottish spending in 2017-18 by £36 million. The revision is opposite in direction to that of the UK, as UK spending on transport and education have been revised down significantly. As these are devolved areas this does not affect the estimate of Scottish spending.

**Table 6: Methodology for apportioning UK revisions to Scotland**

	Approach to estimating Scottish share of UK revision
General public services	
Public and common services	Scottish share of other UK Government departments' spend on public and common services in GERS 2017-18
International services	Population share of UK revision
Public sector debt interest	Population share of UK revision
Defence	Population share of UK revision
Public order and safety	Devolved - no revision to Scotland
Economic affairs	
Enterprise and economic development	Devolved - no revision to Scotland
Science and technology	Apportioned in line with Scottish share of other UK Government departments' spend on science and technology in GERS 2017-18
Employment policies	Devolved - no revision to Scotland
Agriculture, forestry and fisheries	Devolved - no revision to Scotland
Transport	Devolved - no revision to Scotland
Environment protection	Devolved - no revision to Scotland
Housing and community amenities	Devolved - no revision to Scotland
Health	Devolved - no revision to Scotland
Recreation, culture and religion	Devolved - no revision to Scotland
Education and training	Devolved - no revision to Scotland
Social protection	Apportioned in line with Scottish share of other UK Government departments' spend on social protection in GERS 2017-18
EU Transactions	Apportioned in line with EU transactions

**Table 7: Methodology for apportioning UK revisions to Scotland**

	Revision to Scottish spend 2017-18	Share of UK revision
General public services		
Public and common services	26	7.6%
International services	-13	8.2%
Public sector debt interest	8	8.2%
Defence	2	8.2%
Public order and safety	0	0.0%
Economic affairs		
Enterprise and economic development	26	6.9%
Science and technology	-6	13.8%
Employment policies	0	9.0%
Agriculture, forestry and fisheries	0	0.0%
Transport	0	0.0%
Environment protection	0	0.0%
Housing and community amenities	0	0.0%
Health	0	0.0%
Recreation, culture and religion	0	0.0%
Education and training	0	0.0%
Social protection	-7	8.5%
EU Transactions	-	-
<b>Total</b>	<b>36</b>	<b>-2.6%</b>

## Other UK Government department spending for Scotland (2018-19)

In 2018-19, there are no CRA data currently available to estimate Scottish spending. The estimate of spending for Scotland by other UK government departments in 2018-19 is produced by taking a share of each department's 2018-19 spending by function. The share of each department's functional spending is shown in Tables 7 and 8. These shares are based on the shares of each department's spending apportioned to Scotland in GERS 2017-18.

For social protection, spending by the Department for Work and Pensions and HMRC is estimated directly, rather than being based on the GERS 2017-18 share. Spending by the Department for Work and Pensions is based on in-year reported data for Scotland for the first three-quarters of 2018-19<sup>8</sup> and UK spending data for the whole year.<sup>9</sup> Spending by HMRC is based on HMRC spending data<sup>10</sup> and HMRC geographical award statistics.<sup>11</sup>

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<sup>8</sup> <https://www.gov.uk/guidance/dwp-benefit-statistics-dissemination-tools>

<sup>9</sup> <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2019>

<sup>10</sup> <https://www.gov.uk/government/collections/hm-revenue-customs-receipts>

<sup>11</sup> <https://www.gov.uk/government/organisations/hm-revenue-customs/about/statistics#benefits-and-credits-statistics>



Table 8: Share of UK 2018-19 current expenditure on services by department and function

	Public and common services	International services	Public sector debt interest	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, forestry and fisheries	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	EU Transactions	Total
Defence	-	-	-	8.2%	-	-	-	-	-	-	-	-	-	3.8%	-	8.4%	-	8.2%
Single Intelligence Account	-	-	-	8.2%	-	-	-	-	-	-	-	-	-	-	-	-	-	8.2%
Home Office	-	-	-	-	5.1%	-	-	-	-	-	-	-	-	-	-	-	-	5.0%
Foreign & Commonwealth Office	-	8.2%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8.2%
International Development	-	8.2%	-	-	-	-	-	-	-	-	-	-	-	-	-	8.2%	-	8.2%
Health & Social Care	-	-	-	-	0.0%	-	-	-	-	-	-	-	0.1%	-	-	21.1%	-	0.1%
Work & Pensions	0.0%	-	-	-	0.0%	0.1%	-	9.5%	-	-	-	-	-	-	-	8.8%	-	8.8%
Education	-	-	-	-	0.0%	-	-	-	-	-	-	-	-	-	0.1%	2.0%	-	0.3%
Business, Energy & Ind. Strategy	8.2%	8.2%	-	-	8.2%	6.5%	16.0%	8.5%	-	-	7.2%	-	-	-	-	8.3%	-	9.7%
Transport	-	-	-	-	6.3%	-	-	-	-	6.8%	8.5%	-	-	-	-	10.0%	-	6.8%
Exiting the European Union	-	8.2%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8.2%
Digital, Culture, Media & Sport	-	-	-	-	-	9.8%	-	-	-	-	8.2%	-	8.2%	6.0%	-	8.2%	-	6.0%
Housing, Communities & Local Gov	-	8.2%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Scotland	100.0%	100.0%	-	-	100.0%	100.0%	-	-	99.5%	93.9%	100.0%	100.0%	100.0%	84.2%	100.0%	98.5%	-	99.5%
Wales	-	-	-	-	-	-	-	-	-	-	-	-	-	0.2%	-	-	-	0.0%
Northern Ireland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Justice	-	-	-	-	0.6%	-	-	-	-	-	-	-	-	-	-	9.0%	-	0.6%
Law Officers Departments	-	-	-	-	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Environment, Food & Rural Affairs	-	-	-	-	-	-	-	-	0.4%	-	1.6%	-	-	-	-	-	-	0.6%
HM Revenue and Customs	8.2%	-	-	-	-	7.8%	-	-	-	-	7.8%	-	-	-	-	8.3%	-	8.2%
HM Treasury	8.2%	8.2%	8.2%	-	-	8.2%	-	-	-	-	-	-	-	-	-	8.2%	3.9%	7.5%
Cabinet Office	6.9%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8.5%	-	8.3%
International Trade	-	-	-	-	-	8.2%	-	-	-	-	-	-	-	-	-	-	-	8.2%
Small & Independent Bodies	9.0%	-	-	-	8.2%	-6.9%	-	-	-	7.1%	-	-	-	-	-	-	-	8.8%
<b>Total</b>	<b>15.1%</b>	<b>8.2%</b>	<b>8.2%</b>	<b>8.2%</b>	<b>17.7%</b>	<b>10.6%</b>	<b>15.9%</b>	<b>9.0%</b>	<b>14.6%</b>	<b>15.7%</b>	<b>15.5%</b>	<b>8.5%</b>	<b>8.8%</b>	<b>9.2%</b>	<b>6.6%</b>	<b>8.6%</b>	<b>3.9%</b>	<b>9.0%</b>

Table 9: Share of UK 2018-19 capital expenditure on services by department and function																		
	Public and common services	International services	Public sector debt interest	Defence	Public order and safety	Enterprise and economic development	Science and technology	Employment policies	Agriculture, forestry and fisheries	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education and training	Social protection	EU Transactions	Total
Defence	-	-	-	8.2%	-	-	-	-	-	-	-	-	-	-	-	-	-	8.2%
Single Intelligence Account	-	-	-	8.2%	-	-	-	-	-	-	-	-	-	-	-	-	-	8.2%
Home Office	-	-	-	-	4.3%	-	-	-	-	-	-	-	-	-	-	-	-	4.3%
Foreign & Commonwealth Office	-	8.2%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8.2%
International Development	8.2%	8.2%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8.2%
Health & Social Care	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	-	-	-	0.0%
Work & Pensions	-	-	-	-	-	-	9.0%	8.2%	-	-	-	-	-	-	-	-	4.7%	5.5%
Education	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	-	0.0%
Business, Energy & Ind. Strategy	8.2%	8.2%	-	-	8.2%	-6.3%	10.2%	8.4%	-	-	8.1%	-	13.5%	8.2%	-	-	-	7.5%
Transport	-	-	-	-	6.3%	-	-	-	-	6.1%	-	-	-	-	-	-	-	6.1%
Exiting the European Union	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Digital, Culture, Media & Sport	-	-	-	-	-	9.8%	-	-	-	-	-	-	-	7.3%	-	-	-	7.2%
Housing, Communities & Loc Gov	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Scotland	100.0%	-	-	-	100.0%	100.0%	100.0%	-	98.6%	97.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	99.3%
Wales	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1%	-	-	-	0.0%
Northern Ireland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%
Justice	-	-	-	-	0.4%	-	-	-	-	-	-	-	-	-	-	-	-	0.4%
Law Officers Departments	-	-	-	-	0.1%	-	-	-	-	-	-	-	-	-	-	-	-	0.1%
Environment, Food & Rural Affairs	-	-	-	-	-	-	-	-	0.0%	-	0.1%	-	-	-	-	-	-	0.1%
HM Revenue and Customs	8.2%	-	-	-	-	8.0%	-	-	-	-	-	-	-	-	-	-	2.4%	7.9%
HM Treasury	8.2%	-	-	-	-	8.2%	-	-	-	-	-	-	-	-	-	-	-	8.2%
Cabinet Office	8.2%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8.2%
International Trade	-	-	-	-	-	8.2%	-	-	-	-	-	-	-	-	-	-	-	8.2%
Small & Independent Bodies	9.1%	-	-	-	-	7.8%	-	-	-	-	-	-	-	-	-	-	-	8.6%
<b>Total</b>	<b>9.3%</b>	<b>8.2%</b>	<b>-</b>	<b>8.2%</b>	<b>11.7%</b>	<b>30.6%</b>	<b>10.2%</b>	<b>7.9%</b>	<b>21.8%</b>	<b>10.5%</b>	<b>7.5%</b>	<b>19.3%</b>	<b>7.3%</b>	<b>8.9%</b>	<b>2.2%</b>	<b>14.0%</b>	<b>-</b>	<b>9.7%</b>

## Total Managed Expenditure & Accounting Adjustments

The above has described the methodology for deriving total expenditure on services for Scotland. The primary measure of spending used in the public sector finances is total managed expenditure. In order to present total spending for Scotland on this basis, a number of accounting adjustments are included. These are primarily symmetric with adjustments made to revenue data, and so do not necessarily affect the fiscal balances, as discussed later.

The table below shows the relationship between TES and TME for the UK. TME is £55.8 billion higher than TES for the UK, which primarily reflects capital consumption (depreciation) and VAT refunds. Together, these account for around 90% of the difference.

<b>Table 10: Expenditure Accounting Adjustment: UK</b>					
	<b>£ million</b>				
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
UK total managed expenditure (TME)	750,445	756,767	771,954	794,869	810,027
UK total expenditure on services (TES)	688,390	702,154	710,524	733,350	756,232
<b>UK accounting adjustment</b>	<b>62,055</b>	<b>54,613</b>	<b>61,430</b>	<b>61,519</b>	<b>53,795</b>
<b>of which current expenditure:</b>					
Central government capital consumption	17,944	18,313	18,313	18,501	18,558
Local government capital consumption	10,534	11,038	11,539	12,036	12,525
Current VAT refunds	11,517	11,826	11,956	15,159	17,041
Imputed subsidy from Local Authorities to the Housing Revenue Account <sup>1</sup>	588	650	880	1,183	1,520
Imputed flows for Renewable Obligation Certificates <sup>2</sup>	3,064	3,900	4,672	5,424	6,124
Local authority pensions	200	400	200	100	100
Network Rail	1,002	0	0	0	0
British Transport Police Service Agreements	133	150	145	145	145
Current expenditure residual	5,298	-1,104	1,238	-519	-4,195
<b>of which capital expenditure:</b>					
Capital VAT refunds	2,085	2,186	1,779	2,081	1,225
Network Rail	2,261	0	0	0	0
Housing associations	7,752	5,486	7,386	6,330	832
Capital expenditure residual	-322	1,768	3,322	1,078	-81

<sup>1</sup> 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).

<sup>2</sup> 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.

The table below shows how the accounting adjustments are estimated for Scotland.

<b>Table 11: Apportionments for the expenditure Accounting Adjustments</b>	
<b>Of which current expenditure:</b>	
Central government capital consumption	Scottish central government capital consumption from ONS Regional Accounts
Local government capital consumption	Scottish local government capital consumption from ONS Regional Accounts
Current VAT refunds	Scottish share of UK government current spending
Imputed subsidy from Local Authorities to the Housing Revenue Account	Scottish share of UK housing revenue account rent
Imputed flows for Renewable Obligation Certificates	Supplied directly by ONS
Local authority pensions	Scottish share of UK public sector GVA
Network Rail	Scottish share of Network Rail Scottish spending from Regulatory Financial Statements
British Transport Police Service Agreements	Scottish share of UK British Transport Police spending
Current expenditure residual	Population share
<b>Of which capital expenditure:</b>	
Capital VAT refunds	Scottish share of UK government capital spending
Network Rail	Scottish share of Network Rail Scottish spending from Regulatory Financial Statements
Royal Mail Pension Plan	Population share
Housing associations	Outturn data for Scotland
Capital expenditure residual	Population share

The final Scottish accounting adjustments are shown in the table below.

**Table 12: Expenditure Accounting Adjustment: Scotland**

	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
Scottish total managed expenditure (TME)	68,403	69,339	71,432	73,518	75,338
Scottish total expenditure on services (TES)	63,552	64,939	66,169	68,123	70,254
<b>Scottish accounting adjustment</b>	<b>4,851</b>	<b>4,400</b>	<b>5,262</b>	<b>5,395</b>	<b>5,084</b>
<b>Percentage of UK accounting adjustment</b>	<b>7.8%</b>	<b>8.1%</b>	<b>8.6%</b>	<b>8.8%</b>	<b>9.5%</b>
<b>Of which current expenditure:</b>					
Central government capital consumption	1,364	1,314	1,383	1,394	1,401
Local government capital consumption	1,054	1,099	1,152	1,207	1,255
Current VAT refunds	1,010	1,058	1,077	1,366	1,532
Imputed subsidy from Local Authorities to the Housing Revenue Account <sup>1</sup>	46	50	67	90	116
Imputed flows for Renewable Obligation Certificates <sup>2</sup>	364	463	554	644	727
Local authority pensions	18	37	19	9	9
Network Rail	24	0	0	0	0
British Transport Police Service Agreements	11	13	12	9	9
Current expenditure residual	438	-91	102	-43	-345
<b>Of which capital expenditure:</b>					
Capital VAT refunds	183	196	160	187	110
Network Rail	-100	0	0	0	0
Housing associations	468	118	463	443	276
Capital expenditure residual	-28	145	273	89	-7

<sup>1, 2</sup> See notes to Table 10

Finally, the table below shows which parts of the Scottish expenditure accounting adjustments are included as revenues, and where they appear in the revenue tables. Overall, of the £5.1 billion of Scottish accounting adjustments, £5.0 billion are reflected in revenue, and so would not impact on the fiscal balances. Overall, the accounting adjustments increase the net fiscal balance for Scotland by £50 million in 2018-19.

<b>Table 13: Accounting Adjustments, Revenue and Expenditure: Scotland, 2018-19</b>			
	<b>Expenditure AA</b>	<b>Revenue AA</b>	<b>Revenue line</b>
<b>Of which current expenditure:</b>	<b>£ million</b>		
Central government capital consumption	1,401	1,401	Gross operating surplus
Local government capital consumption	1,255	1,255	Gross operating surplus
Current VAT refunds	1,532	1,532	VAT
Imputed subsidy from Local Authorities to the Housing Revenue Account	116	-	n/a
Imputed flows for Renewable Obligation Certificates	727	727	Other taxes, royalties, and adjustments
Local authority pensions	9	-	n/a
British Transport Police Service Agreements	9	9	Other taxes, royalties, and adjustments
Current expenditure residual	-345	-	n/a
<b>Of which capital expenditure:</b>			
Capital VAT refunds	110	110	VAT
Network Rail	0	-	n/a
Royal Mail Pension Plan	0	-	n/a
Housing associations	276	-	n/a
Capital expenditure residual	-7	-	n/a
<b>Total accounting adjustments</b>	<b>5,084</b>	<b>5,034</b>	

## EU transactions and European Union Budget contributions

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. As shown in the tables below, 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.

### Scotland's Net Contribution to the EU

The apportionments applied to estimates Scotland's transactions with the EU are summarized in the table below.

<b>Transaction</b>	<b>Apportionment</b>
GNI based contribution	Gross National Income (GNI) for Scotland
UK abatement (population share)	Population
VAT-based payments to the EU	VAT
Receipts to cover collection costs of TOR	Population
TOR	Population
Public sector EU receipts	Actual data from Scottish Government Directorate for Financial Management

The presentation of EU transactions since GERS 2017-18 has been simplified to make use of new Scottish Government estimates of Gross National Income (GNI) for Scotland, which are used to apportion the GNI based contribution. As GNI shows the income of Scottish residents based on where they live, it is not meaningful to have a measure of GNI associated with the North Sea, as no-one lives there. As such, there is only a single measure of GNI for Scotland.

As Scottish GNI excludes income earned by foreign-owned companies operating in the North Sea, estimates of Scotland's GNI are lower than its GDP including the North Sea. Further information is available at:

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

## Revisions to Expenditure Estimates from GERS 2017-18

Tables B.4 and B.5 in GERS show the changes to estimates of total public expenditure in Scotland and the UK between this report and GERS 2017-18. The tables below provide a more detailed split of revisions between current expenditure and revisions to capital expenditure.

**Table 15: Revisions to Estimates of Total Managed Current Expenditure: Scotland and UK 2017-18**

	(£ million)		(%)	
	Scotland	UK	Scotland	UK
General public services				
Public and common services	94	7	7.8%	0.1%
International services	-12	-137	-1.6%	-1.4%
Public sector debt interest	22	372	0.6%	0.8%
Defence	-5	-2	-0.2%	0.0%
Public order and safety	4	-94	0.2%	-0.3%
Economic affairs				
Enterprise and economic development	34	480	3.7%	7.0%
Science and technology	89	-28	101.3%	-2.5%
Employment policies	0	3	-0.1%	0.1%
Agriculture, forestry and fisheries	-15	4	-1.8%	0.1%
Transport	16	-732	1.0%	-6.8%
Environment protection	-10	-13	-1.1%	-1.8%
Housing and community amenities	28	-34	21.2%	-1.1%
Health	-2	1,413	0.0%	1.0%
Recreation, culture and religion	-45	-92	-4.0%	-1.0%
Education and training	-11	-1,078	-0.1%	-1.4%
Social protection	-306	497	-1.3%	0.2%
EU transactions	62	0	42.6%	0.0%
Accounting adjustments	118	2,916	2.6%	5.9%
<b>Total revision</b>	<b>61</b>	<b>3,365</b>	<b>0.1%</b>	<b>0.5%</b>



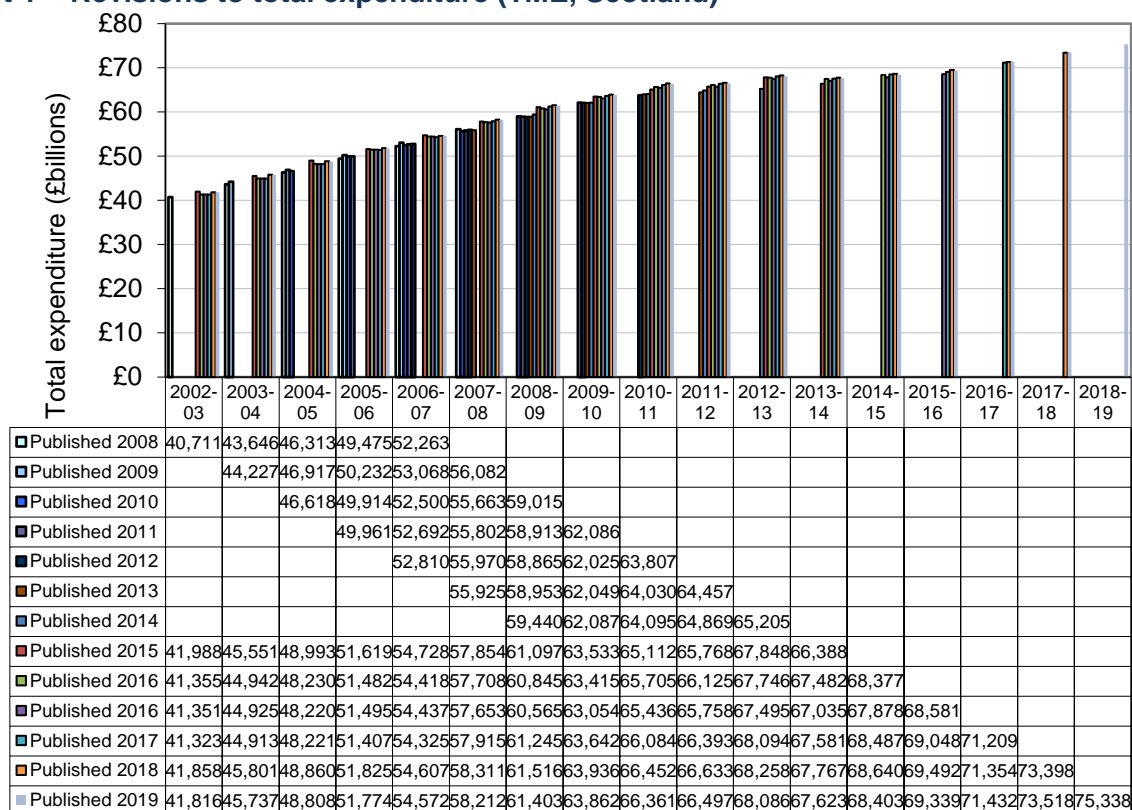
**Table 13: Revisions to Estimates of Total Managed Capital Expenditure: Scotland and UK 2017-18**

	(£ million)		(%)	
	Scotland	UK	Scotland	UK
General public services				
Public and common services	14	-630	4.1%	-20.9%
International services	-2	-18	-1.7%	-1.4%
Public sector debt interest	0	0	-	-
Defence	0	19	0.0%	0.2%
Public order and safety	8	-3	6.3%	-0.2%
Economic affairs				
Enterprise and economic development	0	1,081	0.1%	67.3%
Science and technology	1	0	0.1%	0.0%
Employment policies	0	0	-1.0%	0.4%
Agriculture, forestry and fisheries	7	-82	6.5%	-16.9%
Transport	-210	-94	-9.7%	-0.5%
Environment protection	-18	478	-5.3%	11.8%
Housing and community amenities	-91	-688	-5.1%	-7.6%
Health	0	112	0.1%	1.8%
Recreation, culture and religion	-4	-218	-1.4%	-9.1%
Education and training	115	-681	13.1%	-7.1%
Social protection	14	-9	31.2%	-1.8%
EU transactions	0	0	-	-
Accounting adjustments	225	2,777	45.5%	41.4%
<b>Total revision</b>	<b>59</b>	<b>2,044</b>	<b>0.7%</b>	<b>2.5%</b>

## Longer-run revisions to expenditure estimates

The following charts show how current and capital expenditure (measured by Total Managed Expenditure (TME)) have been revised between successive publications. The associated data appear below the charts.

**Chart 1 – Revisions to total expenditure (TME, Scotland)**



Following the implementation of ESA10, initially in the 2015 publication and then with refinements in subsequent publications, there has been a switch of spend between current and capital, which makes the revisions to current and capital larger than the revisions to overall expenditure. This is particularly visible in the capital estimates, where the effect is proportionately larger.

Chart 2 – Revisions to current expenditure (TME, Scotland)

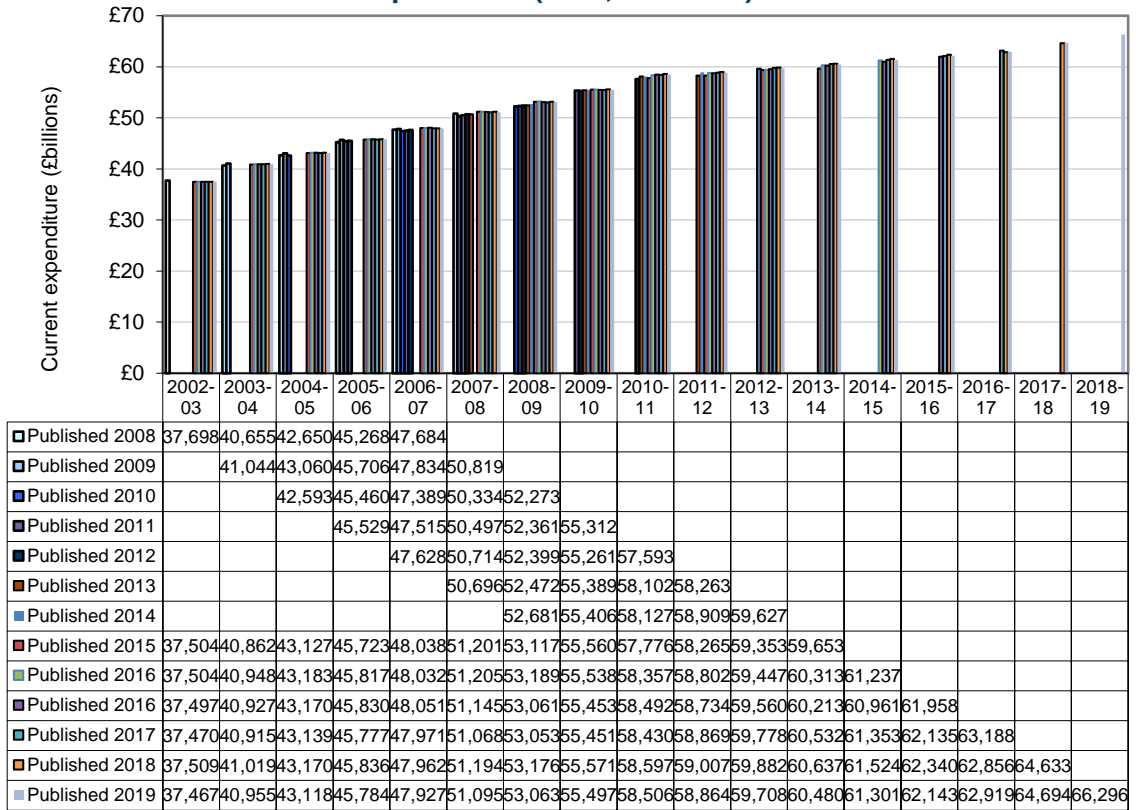


Chart 3 – Revisions to Capital expenditure (TME, Scotland)

