

GOVERNMENT EXPENDITURE AND REVENUE SCOTLAND

DETAILED EXPENDITURE METHODOLOGY PAPER 2019-20

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.¹ 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 2014-15 to 2018-19 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 2019-20 are taken from a number of sources, discussed in more detail below.

¹ <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 2019-20 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>

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.² GERS uses the figures from PSS as it converts the Scottish figures from SeRCOP categories³ used by local authorities to the UN COFOG categories used in GERS.

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 2018-19 and earlier are based on the Country and Regional Analysis (CRA) database, published by HM Treasury.⁴ 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

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

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

⁴ <https://www.gov.uk/government/collections/country-and-regional-analysis>

expenditure estimated. The methodologies used are listed in Table 1. Each reflects the approach that is thought to capture most appropriately the ‘who benefits’ principle.

Table 1: Apportionment Methodologies for Non-Identifiable Expenditure¹		
	Non-Identifiable UK Expenditure	Outside the UK
General public services		
Public and common services	Population	Population
International services	Population	Population
Public sector debt interest	Population	n/a
Defence	Population	n/a
Public order and safety	Population	n/a
Economic affairs		
Enterprise and econ development	Population	Population
Science and technology	GVA	Population
Employment policies	n/a	Population
Agriculture, forestry and fisheries	n/a	Population
Transport	GVA	Population
Environment protection ²	GVA & Population	Population
Housing and community amenities	n/a	n/a
Health	n/a	Population
Recreation, culture and religion	Population	Population
Education and training	n/a	Population
Social protection	Population	Population
Accounting adjustments – EU transactions	Population	Population, GNI, & VAT
Accounting adjustments – PSF adjustment	Various (see section below)	Various (see section below)

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 2018-19 and this GERS report, a small number of supplementary amendments to the CRA 2018-19 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 2 below. In the financial year 2018-19, the figure of total expenditure on services attributed to Scotland in GERS is £154 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 2: Amendments to Estimates of Total Public Sector Expenditure on Services from CRA 2018

	£ million			
	2015-16	2016-17	2017-18	2018-19
Nuclear related-expenditure	-50	-60	-57	-53
Pensions amendments	-19	-19	-20	-21
Other minor amendments	-33	-67	-53	-80
Total	-102	-146	-131	-154

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,⁵ 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.

Pensions amendments

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 2020. Since CRA 2018-19, there have been a number of revisions to UK TES, which need to be reflected in GERS spending figures. Revisions to UK TES come from a number of sources. The majority of revisions relate to 2018-19, 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

⁵ See Box 6.3 in GERS 2008-09: <http://www.gov.scot/Publications/2010/06/22160331/9>

significantly. As these are devolved areas this does not affect the estimate of Scottish spending.

Table 3: 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 2018-19
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 2018-19
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 4: Methodology for apportioning UK revisions to Scotland		
	Revision to Scottish spend 2018-19	Share of UK revision
General public services		
Public and common services	26	6.9%
International services	-8	8.2%
Public sector debt interest	-54	8.2%
Defence	0	8.2%
Public order and safety	0	-
Economic affairs		
Enterprise and economic development	-13	7.2%
Science and technology	0	28.3%
Employment policies	-3	9.4%
Agriculture, forestry and fisheries	0	-
Transport	0	-
Environment protection	0	-
Housing and community amenities	0	-
Health	0	-
Recreation, culture and religion	0	-
Education and training	0	-
Social protection	-31	8.4%
EU Transactions	0	-
Total	-84	11.7%

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 5 and 6. These shares are based on the shares of each department's spending apportioned to Scotland in GERS 2018-19.

For social protection, spending by the Department for Work and Pensions and HMRC is estimated directly, rather than being based on the GERS 2018-19 share. Spending by the Department for Work and Pensions is based on in-year reported data for Scotland for the first three-quarters of 2019-20⁶ and UK spending data for the whole year.⁷ Spending by HMRC is based on HMRC spending data⁸ and HMRC geographical award statistics.⁹

⁶ <https://www.gov.uk/guidance/dwp-benefit-statistics-dissemination-tools>

⁷ <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2019>

⁸ <https://www.gov.uk/government/collections/hm-revenue-customs-receipts>

⁹ <https://www.gov.uk/government/organisations/hm-revenue-customs/about/statistics#benefits-and-credits-statistics>

Table 8: share of UK 2019-20 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, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection	EU transactions	Total
Business, Energy and Industrial Strategy	8.2%	8.2%	0.0%	0.0%	8.2%	6.3%	18.5%	8.3%	0.0%	0.0%	7.5%	0.0%	0.0%	0.0%	0.0%	8.3%	0.0%	10.1%
Cabinet Office	8.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	11.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.4%	0.0%	8.4%
Defence	0.0%	0.0%	0.0%	8.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.5%	0.0%	8.4%	0.0%	8.2%
Digital, Culture, Media and Sport	0.0%	0.0%	0.0%	0.0%	0.0%	9.2%	0.0%	0.0%	0.0%	0.0%	8.2%	0.0%	8.2%	6.2%	0.0%	8.2%	0.0%	6.2%
Education	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	0.0%	0.2%
Environment, Food and Rural Affairs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%
Foreign and Commonwealth Office	0.0%	8.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.2%
HM Revenue and Customs	8.2%	0.0%	0.0%	0.0%	0.0%	7.8%	0.0%	0.0%	0.0%	0.0%	7.8%	0.0%	0.0%	0.0%	0.0%	7.9%	0.0%	7.9%
HM Treasury	8.2%	8.2%	8.2%	0.0%	0.0%	8.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.3%	3.4%	7.7%
Health and Social Care	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.4%	0.0%	-0.2%
Home Office	0.0%	0.0%	0.0%	0.0%	4.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.8%
Housing, Communities and Local Government	0.0%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
International Development	0.0%	8.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.2%	0.0%	8.2%
International Trade	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Justice	0.0%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.0%	0.0%	0.4%
Law Officers Departments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Northern Ireland	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Scotland	100.0%	100.0%	0.0%	0.0%	100.0%	100.0%	100.0%	0.0%	99.5%	94.4%	100.0%	100.0%	100.0%	89.6%	100.0%	100.1%	0.0%	99.6%
Single Intelligence Account	0.0%	0.0%	0.0%	8.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.2%
Small and Independent Bodies	7.6%	0.0%	0.0%	0.0%	8.2%	10.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.5%
Transport	0.0%	0.0%	0.0%	0.0%	8.0%	0.0%	0.0%	0.0%	0.0%	6.1%	14.0%	0.0%	0.0%	0.0%	0.0%	9.5%	0.0%	6.2%
Wales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%
Work and Pension	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.9%	0.0%	8.9%
Total	14.3%	8.2%	8.2%	8.2%	17.8%	9.1%	18.5%	9.3%	13.8%	14.4%	14.3%	6.1%	8.7%	9.3%	6.3%	8.6%	3.4%	8.9%

	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, fisheries and forestry	Transport	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection	EU transactions	Total
Business, Energy and Industrial Strategy	8.2%	8.3%	0.0%	0.0%	8.3%	7.6%	9.8%	8.0%	0.0%	0.0%	8.2%	0.0%	13.5%	9.4%	0.0%	0.0%	0.0%	7.4%
Cabinet Office	8.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.2%
Defence	0.0%	0.0%	0.0%	8.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.2%
Digital, Culture, Media and Sport	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.1%	0.0%	0.0%	0.0%	7.1%
Education	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Environment, Food and Rural Affairs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
Foreign and Commonwealth Office	0.0%	8.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.2%
HM Revenue and Customs	8.2%	0.0%	0.0%	0.0%	0.0%	8.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.3%	0.0%	8.0%
HM Treasury	8.2%	0.0%	0.0%	0.0%	0.0%	8.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.2%
Health and Social Care	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Home Office	0.0%	0.0%	0.0%	0.0%	3.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%
Housing, Communities and Local Government	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
International Development	8.2%	8.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.2%
International Trade	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Justice	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Law Officers Departments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Northern Ireland	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Scotland	100.0%	0.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	98.3%	98.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	99.4%
Single Intelligence Account	0.0%	0.0%	0.0%	8.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.2%
Small and Independent Bodies	3.8%	0.0%	0.0%	0.0%	8.0%	8.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.8%
Transport	0.0%	0.0%	0.0%	0.0%	8.0%	0.0%	9.5%	0.0%	0.0%	5.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.2%
Wales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Work and Pension	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	0.0%	2.4%
Total	8.3%	8.2%	0.0%	8.2%	11.4%	31.4%	9.8%	4.0%	20.8%	11.0%	7.6%	15.4%	6.1%	8.6%	2.7%	132.7%	0.0%	9.6%

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. The accounting adjustments for Scotland are shown in the table below.

Table 7: Expenditure Accounting Adjustment: Scotland					
	£ million				
	2015-16	2016-17	2017-18	2018-19	2019-20
Scottish total managed expenditure (TME)	72,603	75,001	76,823	78,598	81,015
Scottish total expenditure on services (TES)	66,224	67,518	69,461	71,630	74,079
Scottish accounting adjustment	6,379	7,484	7,362	6,968	6,936
Percentage of UK accounting adjustment					
Of which current expenditure:					
Central government capital consumption	2,556	2,709	2,736	2,708	2,745
Local government capital consumption	1,175	1,234	1,268	1,299	1,336
Current VAT refunds	1,346	1,378	1,381	1,563	1,611
Imputed subsidy from Local Authorities to the Housing Revenue Account ¹	49	62	84	98	157
Imputed flows for Renewable Obligation Certificates ²	463	554	644	727	726
Local authority pensions	37	19	9	9	9
Network Rail	0	0	0	0	0
British Transport Police Service Agreements	0	0	0	0	0
Current expenditure residual	13	12	9	12	12
Of which capital expenditure:					
Capital VAT refunds	132	371	232	-2	14
Network Rail	249	205	190	112	116
Housing associations	0	0	0	0	0
Student loans	0	0	0	0	0
Capital expenditure residual	118	463	443	276	0
	165	198	311	285	324

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.

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

Table 8: Apportionments for the expenditure Accounting Adjustments	
Of which current expenditure:	
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
Of which capital expenditure:	
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
Student loans	Student loans data for Scotland
Capital expenditure residual	Population share

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.

Transaction	Apportionment
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>