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GOVERNMENT
EXPENDITURE & REVENUE
SCOTLAND 2019-20

AUGUST 2020



Scottish Government
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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 Statistics.
- The estimates in GERS are consistent with the UK Public Sector Finances published in July 2020 by the Office for National Statistics (ONS). Since last year's publication, there have been a number of revisions and methodological changes to the UK Public Sector Finances which have increased the net fiscal balance for both Scotland and the UK in all years. Further information is set out in the Preface.
- 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.
- The figures for 2019-20 incorporate the initial impacts of the COVID-19 pandemic. The impact of coronavirus will be greater in 2020-21 and the potential impacts are discussed in more detail in the Preface. Due to the effects of the pandemic, resources dedicated to the GERS publication this year have been reduced, and there is a reduced level of commentary compared to previous publications.

Scotland's Overall Fiscal Position

- GERS provides two measures of Scotland's fiscal position, the net fiscal balance and the current budget balance.
- 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.1 below.

Table S.1: Net Fiscal Balance: Scotland and UK 2015-16 to 2019-20

	£ million				
	2015-16	2016-17	2017-18	2018-19	2019-20
Scotland - Excluding North Sea	-16,073	-15,629	-15,391	-14,521	-15,860
Scotland - Including North Sea (geographical share)	-16,390	-15,472	-14,251	-13,155	-15,136
	As % of GDP				
Scotland - Excluding North Sea	-10.9%	-10.2%	-9.7%	-8.8%	-9.4%
Scotland - Including North Sea (geographical share)	-10.6%	-9.7%	-8.6%	-7.4%	-8.6%
UK	-4.2%	-2.8%	-2.7%	-1.9%	-2.5%

- The deficit on the net fiscal balance as a share of GDP has increased for both Scotland and the UK in 2019-20, by 0.6 percentage points for the UK and 1.2 percentage points for Scotland. In part, this will be due to the impact of COVID-19, with the OBR estimating that borrowing in 2019-20 has increased by 0.4 percentage points as a result of the pandemic. The remainder reflects a loosening in the UK Government's fiscal stance, with

increases in spending announced at Spending Round 2019, and an above inflation increase in the personal allowance for income tax.

- The difference in the change in the overall net fiscal balance between Scotland and the UK is explained by falling North Sea revenue in 2019-20. Excluding North Sea revenue, the net fiscal balance for Scotland increased by 0.6 percentage points, the same as the UK. The net fiscal balance excluding North Sea revenue tends to move in line with the figure for the UK, but is typically around 7 percentage points weaker.
- The current budget balance shows the difference between revenue and current expenditure only. 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.2 below.
- The current budget balance for Scotland tends to move in line with the net fiscal balance, figure for the UK but is typically around 2 percentage points smaller as a share of GDP. This reflects that capital spending is relatively stable as a share of total spending over time. In 2019-20, the deficit on the Scottish current budget balance excluding the North Sea increased by 0.5 percentage points. The UK current budget balance, which was in surplus in 2018-19, returned to deficit, also falling by 0.5 percentage points.

Table S.2: Current Budget Balance: Scotland and UK 2015-16 to 2019-20

	£ million				
	2015-16	2016-17	2017-18	2018-19	2019-20
Scotland - Excluding North Sea	-14,083	-12,308	-11,749	-11,520	-12,651
Scotland - Including North Sea (geographical share)	-14,400	-12,151	-10,609	-10,154	-11,927
	As % of GDP				
Scotland - Excluding North Sea	-9.6%	-8.1%	-7.4%	-7.0%	-7.5%
Scotland - Including North Sea (geographical share)	-9.3%	-7.7%	-6.4%	-5.7%	-6.8%
UK	-2.5%	-0.9%	-0.6%	0.1%	-0.4%

- The charts below show the estimates of the current budget balance and net fiscal balance for Scotland and the UK since 1998-99. Figures for all tables back to 1998-99 are available in the accompanying spreadsheets online.

Scotland's revenue

- Table S.3 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 2019-20 was £65.2 billion. Non-North Sea revenues fell slightly to 38.7% of GDP.
- Non-North Sea revenue grew by 1.7% in 2019-20. This relatively weak growth reflects weak growth in income tax, which will in part reflect the increase in the personal allowance in this year. It is also due to falls in corporation tax and VAT, which reflects the initial assessment of the impact of COVID-19 on revenues. Non-North Sea revenue growth in the UK as a whole was 1.9%.
- Including an illustrative geographical share of the North Sea, total Scottish revenue was £65.9 billion, an increase of 0.7% from 2018-19. This is slower than the growth in non-North Sea revenue, reflecting the fact that Scottish North Sea revenue fell by £642 million in 2019-20, due in part to the fall in oil prices toward the end of the year.

Summary

- Scotland's non-North Sea revenue was 7.9% of total UK revenue in 2019-20. Including an illustrative geographical share of the North Sea, Scottish revenue was 8.0% of the UK total.

Table S.3: Total Revenue: 2015-16 to 2019-20					
	£ million				
	2015-16	2016-17	2017-18	2018-19	2019-20
Scotland – Excluding North Sea revenue	56,530	59,372	61,432	64,076	65,155
Scotland – Including North Sea revenue (geographical share)	56,213	59,529	62,573	65,442	65,878
	As % of UK total revenue				
Scotland – Excluding North Sea revenue	7.9%	7.8%	7.9%	7.9%	7.9%
Scotland – Including North Sea revenue (geographical share)	7.9%	7.9%	8.0%	8.1%	8.0%
	As % of GDP				
Scotland – Excluding North Sea revenue	38.4%	38.8%	38.7%	38.8%	38.7%
Scotland – Including North Sea revenue (geographical share)	36.3%	37.3%	37.6%	37.0%	37.4%
<i>UK – including all North Sea revenue</i>	<i>36.8%</i>	<i>37.5%</i>	<i>37.3%</i>	<i>37.4%</i>	<i>37.3%</i>

- Table S.4 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 £431 in 2019-20, 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 more variable. In the latest year, including an illustrative geographical share of North Sea revenue, revenue per person was £308 lower than the UK average.

Table S.4: Revenue per person: Scotland and UK 2015-16 to 2019-20					
	£ per person				
	2015-16	2016-17	2017-18	2018-19	2019-20
Scotland					
Excluding North Sea revenue	10,506	10,975	11,317	11,769	11,926
Including North Sea revenue (geographical share)	10,447	11,004	11,527	12,020	12,058
UK					
Excluding North Sea revenue	10,919	11,508	11,752	12,174	12,357
Including North Sea revenue	10,918	11,508	11,772	12,192	12,367
Difference (Scotland minus UK)					
Excluding North Sea revenue	-413	-533	-435	-404	-431
Including North Sea revenue (geographical share)	-471	-504	-244	-171	-308

Scotland's spending

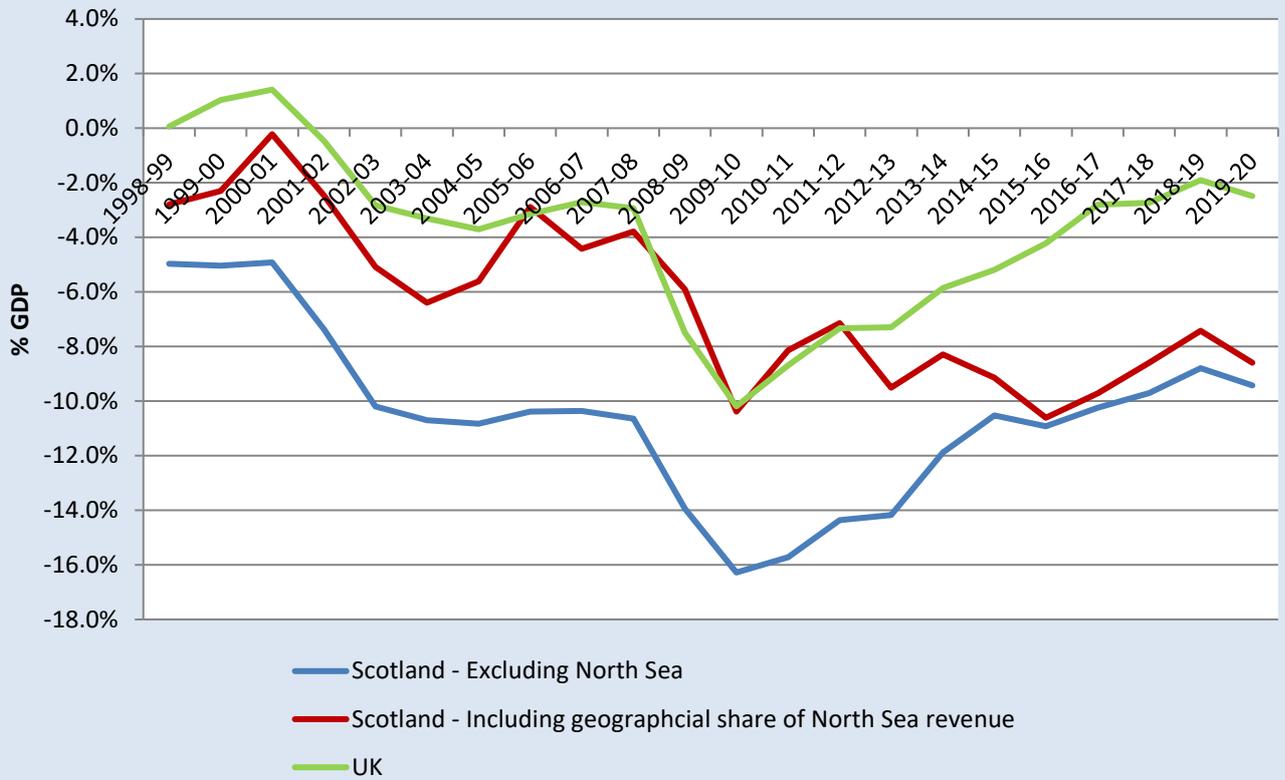
- Table S.5 below shows estimates of public spending for Scotland. Expenditure increased from £78.6 billion in 2018-19 to £81.0 billion in 2019-20. Scotland's share of UK expenditure is relatively stable over the period, at around 9.2%.
- In general, spending as a share of GDP had been falling in recent years, meaning public spending has grown more slowly than nominal GDP. Between 2015-16 and 2018-19, expenditure as a share of GDP excluding the North Sea fell by around 2 percentage points in Scotland and the UK. This trend is reversed in 2019-20, with spending increasing as a share of GDP. This is the first time that spending as a share of GDP has increased in the UK since 2009-10. In Scotland, the last time spending increased as a share of GDP was in 2015-16, which reflected a fall in GDP rather than a spending increase. This change is largely due to the spending increases announced by the UK Government in Spending Round 2019 rather than COVID-19, with COVID-19 spending currently estimated to increase spending as a share of GDP by 0.2% in 2019-20.

Table S.5: Total Public Sector Expenditure: 2015-16 to 2019-20					
	2015-16	2016-17	2017-18	2018-19	2019-20
Scotland - £ millions	72,603	75,001	76,823	78,598	81,015
Share of UK (%)	9.1%	9.2%	9.2%	9.2%	9.2%
	As % of GDP				
Scotland - excluding North Sea	49.0%	48.8%	48.1%	47.2%	47.9%
Scotland - including geographic share of North Sea	46.9%	47.0%	46.1%	44.4%	46.1%
<i>UK – including all North Sea</i>	<i>41.0%</i>	<i>40.2%</i>	<i>40.0%</i>	<i>39.3%</i>	<i>39.8%</i>

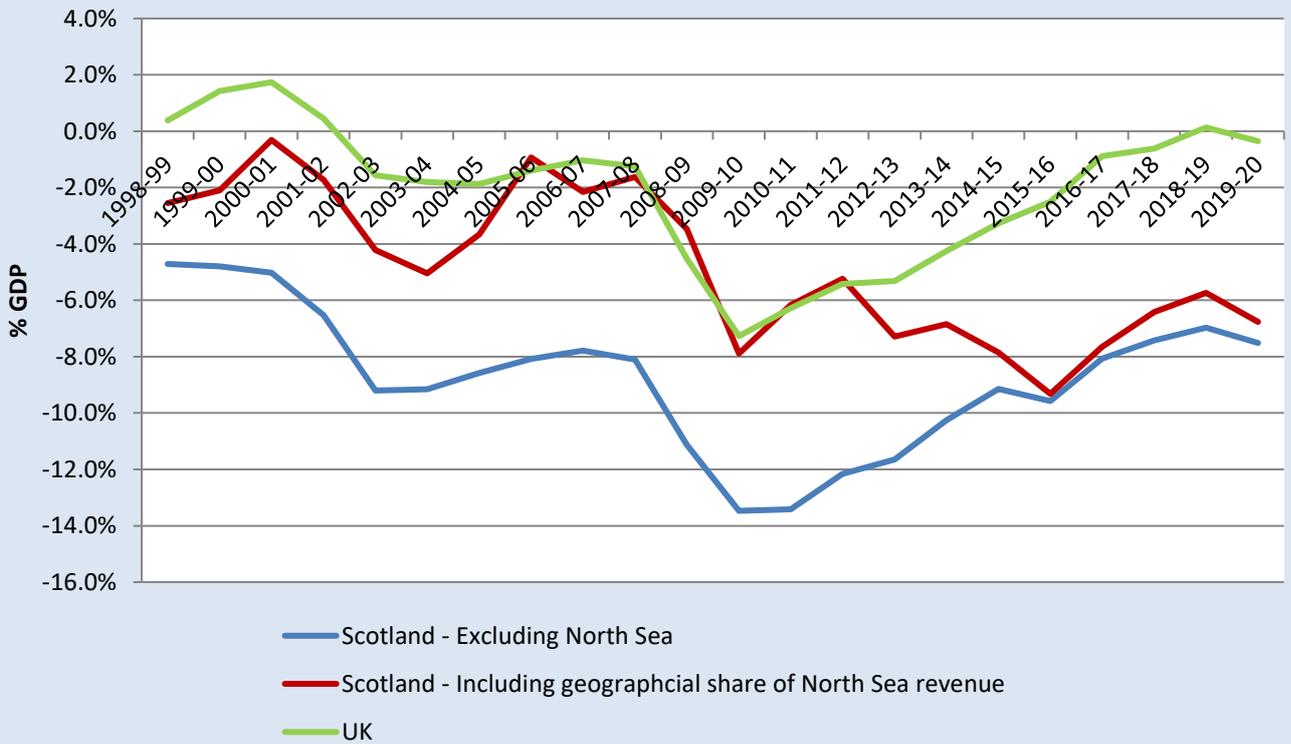
- Table S.6 below shows estimates of expenditure per person for Scotland and the UK. Expenditure for Scotland has been consistently higher per person than the UK average over the period.

Table S.6: Total Expenditure per Person: Scotland and UK 2015-16 to 2019-20					
	£ per person				
	2015-16	2016-17	2017-18	2018-19	2019-20
Scotland	13,493	13,864	14,153	14,436	14,829
UK	12,162	12,360	12,626	12,802	13,196
<i>Difference (Scotland minus UK)</i>	<i>1,331</i>	<i>1,504</i>	<i>1,527</i>	<i>1,634</i>	<i>1,633</i>

Net Fiscal Balance: Scotland & UK 1998-99 to 2019-20



Current Budget Balance: Scotland & UK 1998-99 to 2019-20



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: How has the coronavirus pandemic affected the GERS figures?

A: The GERS publication covers the period up to the end of March 2020 and some initial impacts can already be seen. In particular, revenue from corporation tax and VAT have fallen, whilst public spending, particularly on health, has increased. The impact of coronavirus will be greater in 2020-21.

Q: Why have the GERS numbers changed from last year?

A: The estimates in GERS are updated every year to reflect the latest data and methodologies. Often, the changes reflect updates to UK figures in the UK Public Sector Finances. This year there have been changes relating to student loans, pensions, and capital consumption, as well as regular data updates.

Q: How much debt interest does Scotland have in GERS?

A: GERS allocates Scotland a population share of UK debt interest. In 2019-20, this was £4.5 billion. This figure now includes debt interest expenditure associated with public sector pension funds, which also generate interest income. In 2019-20, Scotland is apportioned £1.5 billion of interest expenditure associated with public sector pensions, and £1.7 billion of interest income.

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 refer to other economic statistics products, such as the quarterly Gross Domestic product figures or Quarterly National Accounts Scotland (QNAS) (www.gov.scot/gdp), 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?

A: 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. In GERS, the Scottish Government, Scottish Local Authorities, and the public corporations they control such as Scottish Water, are referred to as 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 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 Statistics, changes are 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: What income tax figures are presented in GERS?

A: The headline income tax figures in GERS show estimates of all income tax raised in Scotland. This is slightly different from tax collected under the devolved Scottish Income Tax, which only relates to non-savings non-dividends income tax liabilities. The revenue from devolved income tax is presented in Chapter 4, and the headline estimates are consistent with these figures.

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.

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, an international reporting standard 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 2019-20, accounting adjustments added £6.5 billion to the estimate of Scottish public sector revenue and £6.9 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.

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

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-seventh 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 Statistics. More information about National Statistics, including the latest assessment report on GERS (number 274), is available on the UK Statistics Authority website.²

The Scottish Government held a public consultation on a potential new publication on devolved public sector finances in Scotland from June to September 2018. A consultation response was published in November 2018, setting out the intention to produce a new statistical publication in this area. Work on this publication has been delayed due to the coronavirus pandemic. The Scottish Government will provide a further update once a publication date is confirmed.

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

Coronavirus and the Public Sector Finances

The COVID-19 pandemic, which has spread across the world in 2020, has had profound impacts on public health, the economy, and the public finances. The UK introduced strict public health measures at the end of March, as well as announcing a range of support packages for households and businesses.

Whilst the impact of COVID-19 on the public sector finances remains uncertain, and is likely to continue to be revised, it is already clear that the pandemic will see an increase in public sector borrowing. The Office for Budget Responsibility's (OBR's) latest assessment of the impact on borrowing, set out in their Coronavirus Policy Monitoring database,³ is that UK borrowing in 2019-20 has increased by around £9.4 billion as a result of COVID-19. This is around 0.4% of GDP. The impact is expected to be greater in future years.

The ONS has published an article setting out some of the challenges with measuring the Public Sector Finances at this time, available at:

<https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/articles/challengesofmeasuringtheeffectsofthecoronaviruspandemicontaxreceipts/2020-07-21>

Some of the response to the pandemic for Scotland, such as additional funding for the NHS, is delivered by the Scottish Government. This expenditure will be captured within Scottish Government reporting systems, and reflected in Scottish Government spending in GERS. Other elements, such as the Coronavirus Job Retention Scheme, which allows firms to place their staff on furlough, with up to 80% of their wages paid by the UK Government, are reflected in Other UK Government Department spending on Enterprise and Economic Development. The OBR's latest estimate of the cost of these employment support policies in 2019-20 is £2.3 billion, and Scotland is allocated a population share of this spending in

² <https://www.statisticsauthority.gov.uk/publication/statistics-on-government-expenditure-and-revenue-scotland/>

³ <https://obr.uk/coronavirus-analysis/>, as at 17 August 2020

GERS. This is in line with the statistics on the uptake of these programmes published by HMRC.⁴

The approach to reporting and estimating the impact of COVID-19 on the GERS figures for Scotland will be reviewed for future publications.

Recent Statistical Decisions and Changes

A number of changes were made to the UK Public Finances in September 2019. These are discussed below. Further information is available at:

<https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/august2019#developments-in-public-sector-finance-statistics-september-2019>

Student loans

On 17 December 2018, the ONS announced that the treatment of student loans in the Public Sector Finances would change, to reflect the fact that some portion of these loans is not expected to be repaid. The revised treatment involves partitioning the loan, with the part not expected to be repaid being recorded as capital spending. This change primarily increases capital expenditure, but will also impact on the accrued interest the government receives from loans. This change was implemented in the UK Public Sector Finances in August 2019. Further information on this change is available at:

<https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/articles/newtreatmentofstudentloansinthepublicsectorfinancesandnationalaccounts/2018-12-17>

Pensions

Since the move to the European System of Accounts 2010, the ONS has been reviewing the recording of public sector pensions in the Public Sector Finances. Following a consultation with the Public Sector Technical Advisory Committee, and a public consultation in autumn 2018, the reporting of public sector pensions has changed from a net to a gross basis. This change is primarily presentation, but due to the inclusion of the pension administrators' costs, as well as including the Pension Protection Fund within the public sector boundary, there is an impact on overall public sector spending. This includes increase in public sector debt interest payments, as well as interest receivable by the public sector. In 2019-20, Scotland is apportioned £1.5 billion of debt interest associated with public sector pensions, and £1.7 billion of interest income.

Capital consumption

In September 2019, the ONS implemented a number of improvements to the estimation of capital stocks. These mainly relate to a review of the life length of fixed assets, making the UK approach more consistent with that used in other countries. This change affects the estimate of capital consumption, which is the estimate of how much capital assets are used up each year to deliver public services.

This change is purely an accounting change, and does not affect estimates of the net fiscal balance. It does, however, affect the current budget balance. This is because under the new approach, more capital assets are considered to be used up providing day-to-day services,

⁴ <https://www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics>

so the cost of delivering these services increases. The current budget balance has increased by around 0.7 percentage points of GDP as a result of this change.

Within the net fiscal balance calculation, overall spending is unchanged, but more capital spending is assumed to be used to replace the assets used to provide day-to-day services. Therefore, net investment in new assets decreases.

What Questions Does GERS Address?

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

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

Revenue

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

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, although following increased devolution in recent years, more Scottish data have become available. 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.⁵

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.

⁵ [https://www.gov.scot/collections/economy-statistics/#governmentexpenditureandrevenuescotland\(gers\)](https://www.gov.scot/collections/economy-statistics/#governmentexpenditureandrevenuescotland(gers))

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.⁶

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 Analyses⁷ and the supporting Country and Regional Analysis (CRA).⁸

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).⁹

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 2019-20.

The GERS website can be accessed via <https://www.gov.scot/publications/about-government-expenditure-and-revenue-scotland/>.

Comparisons to other countries and regions of the UK

GERS does not provide comparisons of Scottish revenue and expenditure with other parts of the UK, as data are not available for 2019-20 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, available at the link below. A comparison between the ONS and GERS figures for Scotland is provided in Box 1.1.

<https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/articles/countryandregionalpublicsectorfinances/financialyearending2019>

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, 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.

⁶ 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.

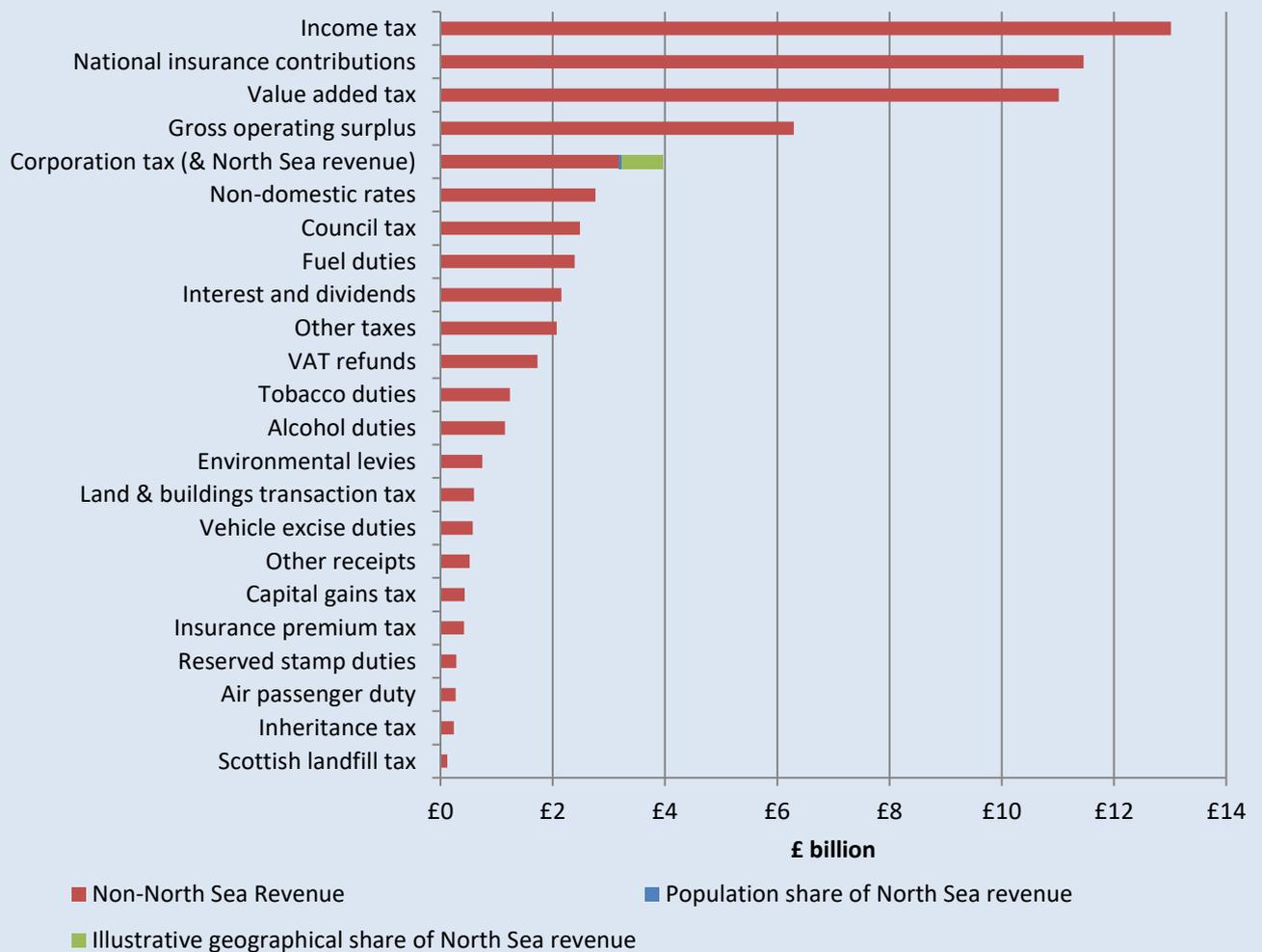
⁷ <https://www.gov.uk/government/collections/public-expenditure-statistical-analyses-pesa>

⁸ <https://www.gov.uk/government/collections/country-and-regional-analysis>

⁹ <https://www.gov.scot/Topics/Statistics/Browse/Economy/QNAS/Publications>

CHAPTER 1: PUBLIC SECTOR REVENUE

Total Public Sector Revenue: Scotland 2019-20



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.¹⁰

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 are becoming 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.

2019-20 is the third year of the operation of the new, more extensive Scottish Income Tax powers, where the Scottish Government has the power to set the rates and bands for income tax for Scottish residents.¹¹ These figures are shown in Chapter 4, and show the amount of non-savings non-dividend (NSND) income tax paid on earnings in a given year. The income tax figures in this chapter cover all income tax, and are presented on a slightly different basis consistent with the UK Public Sector Finances, but are consistent with the HMRC figures.

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.

¹⁰ [https://www.gov.scot/collections/economy-statistics/#governmentexpenditureandrevenuescotland\(gers\)](https://www.gov.scot/collections/economy-statistics/#governmentexpenditureandrevenuescotland(gers))

¹¹ This power covers only non-savings and non-dividend income tax, and does not allow the Scottish Government to change the personal allowance.

Estimated Revenue 2019-20

Table 1.1 reports estimated public sector revenue in Scotland and the preliminary outturn data for the UK in 2019-20. 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 total non-North Sea revenue. In order to report revenue on a National Accounts basis, an 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 2019-20				
	Scotland		UK	Scotland as % of UK
	£ million	% of total non-North Sea taxes	£ million	
Income tax	13,018	23.2%	195,330	6.7%
National insurance contributions	11,460	20.4%	144,245	7.9%
Value added tax	11,015	19.6%	133,819	8.2%
Corporation tax (excluding North Sea)	3,180	5.7%	50,992	6.2%
Fuel duties	2,392	4.3%	27,572	8.7%
Non-domestic rates	2,761	4.9%	32,142	8.6%
Council tax	2,487	4.4%	36,575	6.8%
VAT refunds	1,727	3.1%	18,820	9.2%
Capital gains tax	433	0.8%	9,978	4.3%
Inheritance tax	238	0.4%	5,153	4.6%
Reserved stamp duties	284	0.5%	16,871	1.7%
Scottish land & buildings transaction tax	598	1.1%	598	100.0%
Scottish landfill tax	119	0.2%	119	100.0%
Air passenger duty	273	0.5%	3,385	8.1%
Tobacco duties	1,240	2.2%	9,692	12.8%
Alcohol duties	1,149	2.0%	11,716	9.8%
Insurance premium tax	419	0.7%	6,393	6.6%
Vehicle excise duties	572	1.0%	7,000	8.2%
Environmental levies	748	1.3%	6,430	11.6%
Other taxes ¹	2,073	3.7%	24,225	8.6%
Total Non-North Sea taxes	56,185	100%	741,055	7.6%
North Sea taxes²				
Population share	53		650	8.2%
Geographical share	724		650	111.4%
Other revenue				
Interest and dividends	2,155		26,109	8.3%
Gross operating surplus	6,294		53,835	11.7%
Other receipts	520		4,397	11.8%
Total revenue				
Excluding North Sea	65,155		825,396	7.9%
Including population share of the North Sea	65,208		826,046	7.9%
Including illustrative geographical share of the North Sea	65,878		826,046	8.0%
<i>of which: revenue accounting adjustments</i>	<i>6,545</i>		<i>66,835</i>	<i>9.8%</i>

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 of North Sea revenue appears unusually high in 2019-20. This is discussed in more detail in Chapter 2.

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 £65.2 billion in 2019-20, an increase of 1.7%. This is equivalent to 7.9% of UK total non-North Sea current revenue which is 0.3 percentage points lower than Scotland's share of the UK population.¹² 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 (4.6%). This reflects the fact that properties and assets in Scotland tend to have lower values than the UK average.¹³ Scotland's share of income tax (6.7%) 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 fewer additional rate tax payers, with only around 4% 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 (8.6%), and gross operating surplus (GOS), which includes the surpluses of public corporations. Scotland is estimated to generate approximately 11.7% 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.

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 broadly stable since 2015-16, at around 7.9%.

¹² Scotland's share of the UK population in 2019-20 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).

¹³ <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/totalwealthwealthingreatbritain>

¹⁴ <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/bulletins/adultsmokinghabitsingreatbritain/2019>

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

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

	per cent of UK revenue				
	2015-16	2016-17	2017-18	2018-19	2019-20
Income Tax	6.9%	6.7%	6.6%	6.7%	6.7%
Corporation tax (excl North Sea)	6.3%	6.6%	6.2%	6.2%	6.2%
National insurance contributions	7.9%	8.0%	8.0%	8.0%	7.9%
Value added tax	8.2%	7.9%	8.4%	8.4%	8.2%
Council tax and non-domestic rates	8.0%	8.0%	8.0%	7.9%	7.6%
All other revenue	8.9%	8.9%	9.0%	9.1%	9.1%
Total current non-North Sea revenue	7.9%	7.8%	7.9%	7.9%	7.9%

Estimated Revenue: Scotland and the UK, 2015-16 to 2019-20

Table 1.4 shows estimated current revenue in Scotland and the UK between 2015-16 and 2019-20. Non-North Sea revenue in Scotland is estimated to have grown by 15.3% between 2015-16 and 2019-20 in nominal terms, less than for the UK as a whole (15.9%). The majority of this difference is due to relatively slower growth in income tax in Scotland, which occurred in 2015-16 and 2016-17. However, based on HMRC's indicative PAYE income tax liabilities, income tax in Scotland is estimated to have grown more quickly than the UK as a whole in 2018-19. More generally, slower growth in revenue in Scotland 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 land and buildings transaction tax and Scottish landfill tax, which were introduced in 2015-16. 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 2015-16 and 2019-20. Excluding North Sea revenue, revenue per person in Scotland is lower than in the UK by £431 in 2019-20. Including an illustrative geographical share of North Sea revenue the difference is £308.

Table 1.3: Revenue Per Person: Scotland and UK 2015-16 to 2019-20

	£ per person				
	2015-16	2016-17	2017-18	2018-19	2019-20
Scotland					
Excluding North Sea revenue	10,506	10,975	11,317	11,769	11,926
Including North Sea revenue (population share)	10,504	10,976	11,337	11,787	11,936
Including North Sea revenue (geographical share)	10,447	11,004	11,527	12,020	12,058
UK					
Excluding North Sea revenue	10,919	11,508	11,752	12,174	12,357
Including North Sea revenue	10,918	11,508	11,772	12,192	12,367
Difference (Scotland minus UK)					
Excluding North Sea revenue	-413	-533	-435	-404	-431
Including North Sea revenue (population share)	-413	-533	-435	-404	-431
Including North Sea revenue (geographical share)	-471	-504	-244	-171	-308

Box 1.1: 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 2018-19 were published on 20 December 2019.¹⁶

The table below compares the estimates in GERS with those published by ONS. There are some differences between the ONS and GERS numbers. For non-North Sea taxes, these primarily relate to VAT. The estimates of VAT in GERS are consistent with those published by HMRC for Scottish Assigned VAT, whilst the ONS use a methodology which produces results for all UK country and regions, which has a lower estimate for Scotland. The 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 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 2015-16 to 2019-20

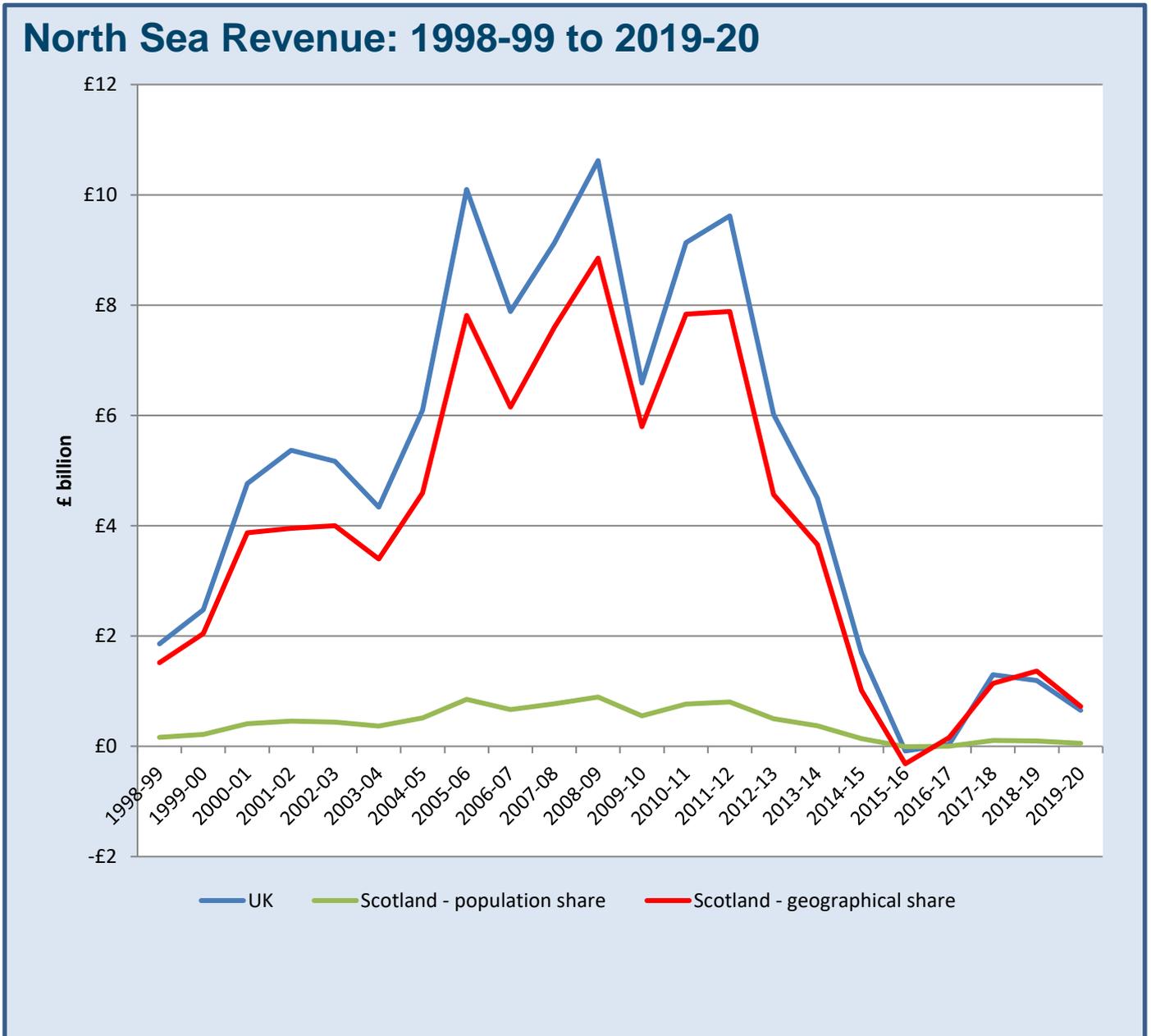
	£ million				
	2015-16	2016-17	2017-18	2018-19	2019-20
Non-North Sea taxes					
GERS	48,374	50,889	52,856	55,464	56,185
ONS	48,897	51,331	52,464	55,132	n/a
Difference	-523	-442	392	332	n/a
Other non-North Sea receipts					
GERS	8,156	8,484	8,576	8,612	8,970
ONS	8,133	8,486	8,580	8,853	n/a
Difference	23	-2	-4	-241	n/a
Geographical share of North Sea revenues					
GERS	-318	157	1,141	1,366	724
ONS	-231	109	1,141	1,354	n/a
Difference	-87	48	0	12	n/a

¹⁶ <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/articles/countryandregionalpublicsectorfinances/financialyearending2019>

Table 1.4: Revenue: Scotland and UK 2015-16 to 2019-20

	£ million									
	Scotland					UK				
	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20
Income tax	11,725	11,836	11,964	12,830	13,018	168,874	177,247	180,593	192,528	195,330
National insurance contributions	9,066	10,042	10,460	10,913	11,460	114,061	126,241	131,547	137,257	144,245
Value added tax	9,616	9,645	10,536	11,134	11,015	116,703	121,855	125,494	133,201	133,819
Corporation tax (excluding North Sea)	2,765	3,485	3,315	3,485	3,180	44,100	52,659	53,140	55,911	50,992
Fuel duties	2,318	2,373	2,426	2,428	2,392	27,621	27,937	27,878	27,993	27,572
Non-domestic rates	2,579	2,732	2,762	2,847	2,761	28,607	29,464	30,277	31,296	32,142
Council tax	2,045	2,074	2,253	2,359	2,487	28,986	30,361	32,131	34,831	36,575
VAT refunds	1,595	1,582	1,571	1,676	1,727	17,724	17,448	17,272	18,211	18,820
Capital gains tax	373	363	338	399	433	7,060	8,380	7,793	9,197	9,978
Inheritance tax	277	288	281	252	238	4,712	4,897	5,277	5,450	5,153
UK stamp duties	280	336	297	293	284	14,181	15,657	17,212	16,699	16,871
Scottish land & buildings transaction tax	425	484	557	554	598	425	484	557	554	598
Scottish landfill tax	147	149	148	149	119	147	149	148	149	119
Air passenger duty	246	256	274	290	273	3,040	3,236	3,360	3,636	3,385
Tobacco duties	1,011	1,075	1,123	1,170	1,240	9,106	8,681	8,766	9,152	9,692
Alcohol duties	1,030	1,076	1,122	1,175	1,149	10,697	11,117	11,585	12,097	11,716
Insurance premium tax	251	313	388	413	419	3,717	4,872	5,898	6,309	6,393
Vehicle excise duties	466	475	503	544	572	5,922	5,997	6,378	6,716	7,000
Environmental levies	507	590	674	753	748	4,526	5,172	5,850	6,494	6,430
Other taxes	1,651	1,716	1,864	1,803	2,073	20,503	20,959	23,005	21,667	24,225
Total Non-North Sea taxes	48,374	50,889	52,856	55,464	56,185	630,712	672,813	694,161	729,348	741,055
North Sea taxes										
Population share of North Sea revenue	-7	3	106	98	53	-85	36	1,297	1,195	650
Illustrative geographical share of North Sea revenue	-318	157	1,141	1,366	724	-85	36	1,297	1,195	650
Other receipts										
Interest and dividends	1,790	1,849	1,914	2,017	2,155	21,055	21,607	22,933	24,162	26,109
Gross operating surplus	5,892	6,169	6,217	6,153	6,294	56,724	58,355	56,598	52,782	53,835
Other receipts	474	466	445	443	520	3,922	3,812	3,575	3,567	4,397
Total revenue (excl North Sea revenue)	56,530	59,372	61,432	64,076	65,155	712,413	756,587	777,267	809,859	825,396
Total revenue (incl pop share North Sea revenue)	56,523	59,375	61,538	64,174	65,208	712,328	756,623	778,564	811,054	826,046
Total revenue (incl geog share North Sea revenue)	56,213	59,529	62,573	65,442	65,878	712,328	756,623	778,564	811,054	826,046
<i>Of which, revenue accounting adjustment</i>	<i>5,802</i>	<i>6,091</i>	<i>6,227</i>	<i>6,421</i>	<i>6,545</i>	<i>60,070</i>	<i>61,877</i>	<i>63,435</i>	<i>65,553</i>	<i>66,835</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 2015-16. UK North Sea revenue was -£85 million in 2015-16, with refunds of petroleum revenue tax exceeding other tax receipts. It has since increased, reaching £1.2 billion in 2018-19, but fell again in 2019-20.

Table 2.1: Composition of North Sea Revenue: UK 2015-16 to 2019-20

	£ million				
	2015-16	2016-17	2017-18	2018-19	2019-20
Licence fees	67	67	72	72	72
North Sea corporation tax	410	622	1,793	1,867	990
Petroleum revenue tax	-562	-653	-568	-744	-412
Total	-85	36	1,297	1,195	650

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.

During 2019-20, the oil price averaged \$61.4 per barrel. This represents a 12% decline from \$70.1 in the previous year. Prices in 2019-20 were extremely volatile, with the daily price ranging between \$74.9 and \$14.9.¹⁷ This volatility was largely caused by the Covid-19 related oil demand decreases and the resultant oil price fall during Q1 2020.

Overall North Sea production declined slightly in 2019-20, with crude oil and natural gas liquid (NGL) production falling by 1.8%¹⁸ and annual gas production by 0.7%.¹⁹ The slight falls in production during the period can be largely attributed to reduced output at several large gas terminals during 2019, as well as the prolonged shutdown of the Mossmorran NGL processing plant in Fife.

In 2019, total expenditure on the UK Continental Shelf increased by 3.8% in real terms compared to 2018, to stand at £15.02 billion. The increase was primarily due to an increase in exploration and appraisal (E&A) and capital expenditure, which were up 33% and 8% respectively in real terms. Decommissioning expenditure and operating costs decreased slightly by 2% and 0.4% respectively in real terms.²⁰

The fiscal regime has been unchanged since in the March 2015 and 2016 Budgets, when the Supplementary Charge was halved to 10%, and Petroleum Revenue Tax (PRT) progressively reduced from 50% to 0%.

¹⁷ <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RBRT&f=M>

¹⁸ <https://www.gov.uk/government/statistics/oil-and-oil-products-section-3-energy-trends>

¹⁹ <https://www.gov.uk/government/statistics/gas-section-4-energy-trends>

²⁰ <https://www.ogauthority.co.uk/media/6406/oga-medium-term-projections-feb-2020.pdf>

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.

Two estimates of Scotland's share of North Sea revenue are shown in GERS:

1. A population share
2. 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				
	2015-16	2016-17	2017-18	2018-19	2019-20
Total North Sea revenue	-85	36	1,297	1,195	650
Scotland's population share	-7	3	106	98	53
Scotland's share of North Sea revenue (%)	8.2%	8.2%	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.

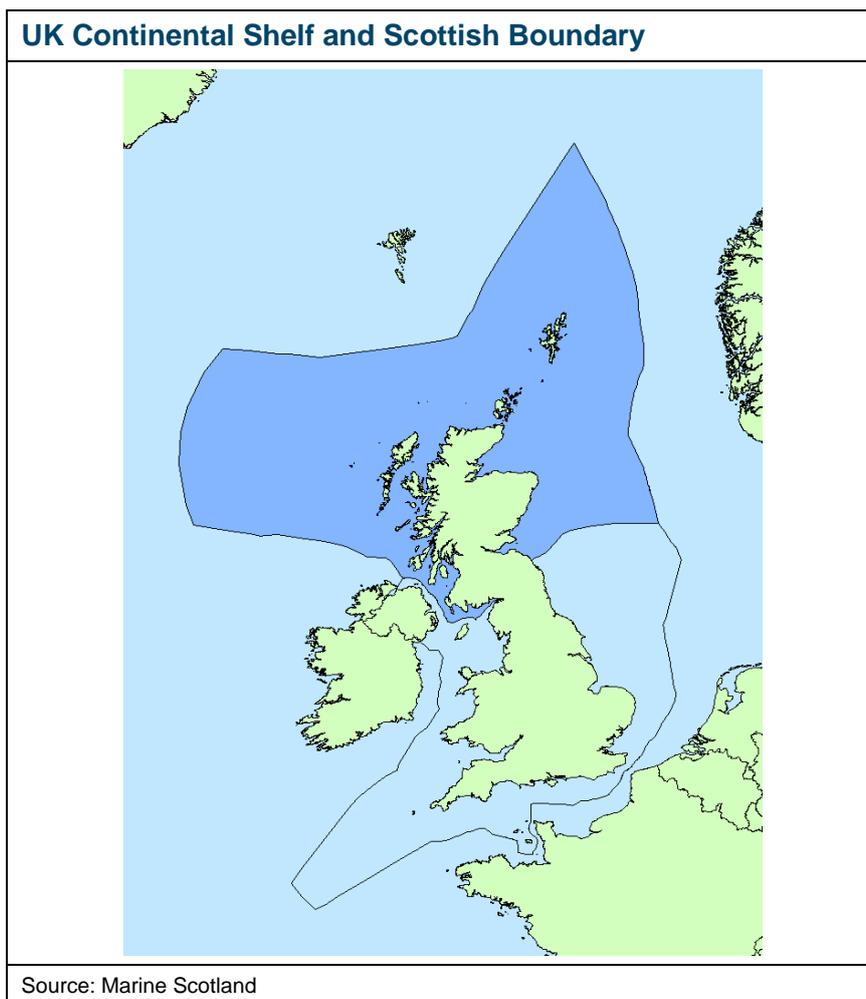
Table 2.3 shows Scotland's illustrative geographical share of UK North Sea revenue, broken down by licence fees, corporation tax, and petroleum revenue tax. Since 2015-16, Scotland's illustrative geographical share of North Sea revenues is often estimated to be above 100% or negative. This reflects the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

2 North Sea Revenue

Table 2.3: Geographical Share of North Sea Revenue: Scotland 2015-16 to 2019-20

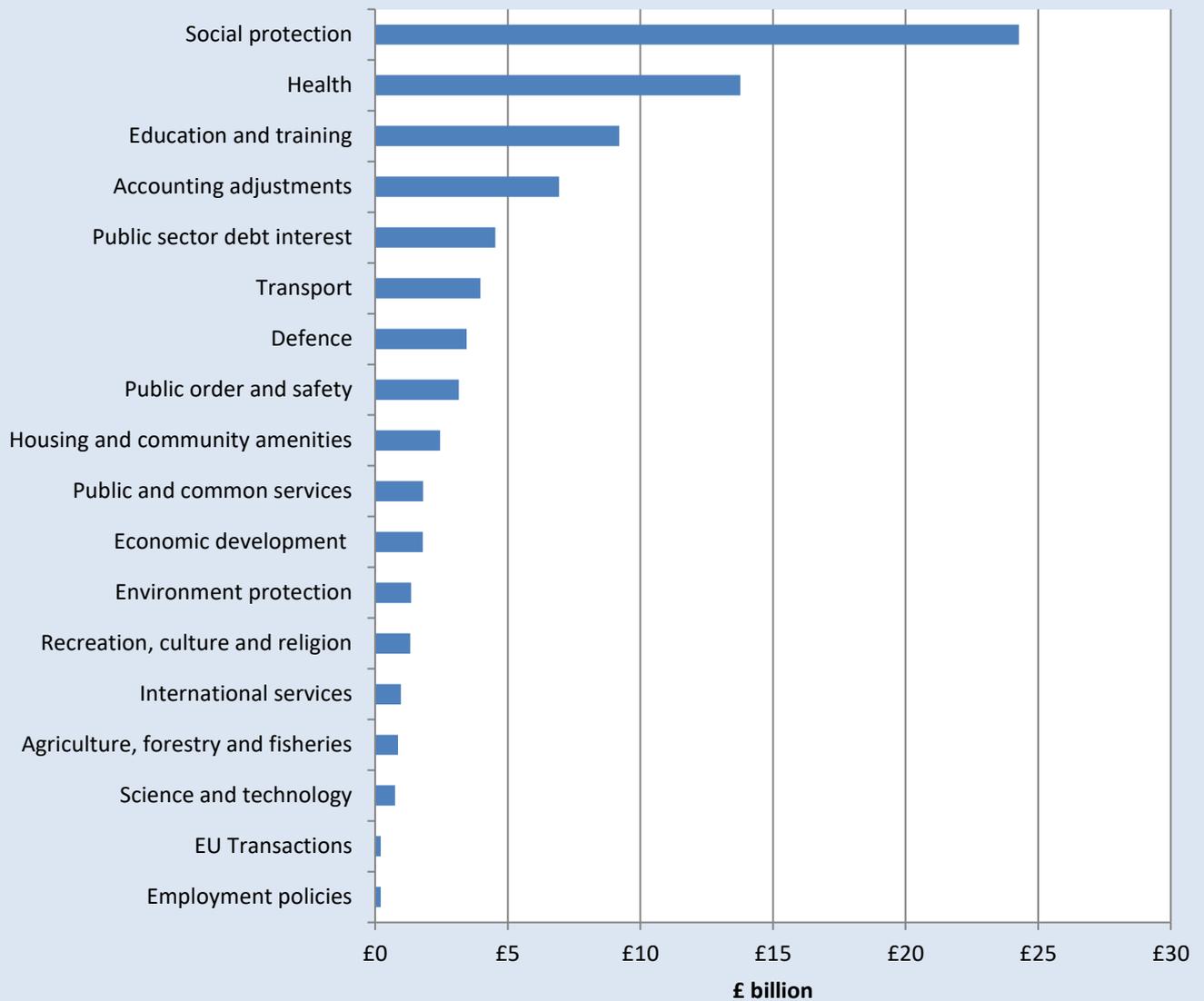
	£ million				
	2015-16	2016-17	2017-18	2018-19	2019-20
UK revenue	-85	36	1,297	1,195	650
Licence fees	67	67	72	72	72
North Sea corporation tax	410	622	1,793	1,867	990
Petroleum revenue tax	-562	-653	-568	-744	-412
Scottish geographical revenue	-318	157	1,141	1,366	724
Licence fees	55	63	64	63	63
North Sea corporation tax	333	590	1,584	1,640	871
Petroleum revenue tax	-705	-496	-507	-337	-210
Scottish share of UK	373.6%	436.8%	88.0%	114.3%	111.4%
Licence fees	81.6%	94.7%	88.4%	87.9%	87.9%
North Sea corporation tax	81.3%	94.8%	88.4%	87.8%	88.0%
Petroleum revenue tax	125.5%	76.0%	89.3%	45.3%	51.1%

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 2019-20



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)²¹ and the supporting Country and Regional Analysis (CRA).²²

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 2019-20 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.

<https://www.gov.scot/collections/economy-statistics/#governmentexpenditureandrevenuescotland>

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.

As discussed in the preface, there are a number of changes to the expenditure in this year's publication, reflecting changes in the UK Public Sector Finances. Some of these are primarily presentational, and do not affect the net fiscal balance, such as the change to capital consumption. The main revision to expenditure that impacts on the net fiscal balance is the change to student loans, which is discussed in Box 3.1.

²¹ <https://www.gov.uk/government/collections/public-expenditure-statistical-analyses-pesa>

²² <https://www.gov.uk/government/collections/country-and-regional-analysis>

Public Sector Expenditure

Total public sector expenditure for Scotland in 2019-20 is estimated to be £81.0 billion, an increase of 3.1% from 2018-19, compared to growth of 3.5% for the UK as a whole. Scotland's public sector expenditure in 2019-20 was equivalent to 9.2% of total UK public sector expenditure. This is shown by spending category in Table 3.1.

Table 3.1: Total Expenditure: Scotland 2019-20		
	Scotland	
	£ million	% of total expenditure
General public services		
Public and common services	1,809	2.2%
International services	966	1.2%
Public sector debt interest	4,533	5.6%
Defence	3,451	4.3%
Public order and safety	3,153	3.9%
Economic affairs		
Enterprise and economic development	1,795	2.2%
Science and technology	754	0.9%
Employment policies	209	0.3%
Agriculture, forestry and fisheries	864	1.1%
Transport	3,970	4.9%
Environment protection	1,358	1.7%
Housing and community amenities	2,443	3.0%
Health	13,765	17.0%
Recreation, culture and religion	1,323	1.6%
Education and training	9,201	11.4%
Social protection	24,275	30.0%
EU transactions	210	0.3%
Accounting adjustments	6,936	8.6%
Total Expenditure	81,015	100%

Table 3.2 below shows growth in current and capital spend in Scotland by organization in 2019-20, compared to the UK. Spending increased more slowly in Scotland than the UK as a whole in 2019-20. This is primarily due to spending on student loans increasing faster in the rest of the UK.

Box 3.1: Changes to the reporting of student loans

Student loans have been used in the UK since 1990, to help some students meet their living costs. In 1998, when tuition fees were introduced for UK universities, student loans were extended to cover these additional costs. At this point, the repayment of loans was also changed to be linked to income, referred to as an income-contingent repayment.

In Scotland, tuition fees were ended for Scottish students in 2001. At the time, they were replaced by a one-off charge at the time of graduation. This was later abolished in 2008.

Student loans are income-contingent, meaning that they are only repaid when the borrower's earnings exceed a certain threshold, and are written-off, normally after 30 years, regardless of whether they have been repaid. This means that many students will not repay their loans in full.

Under the previous treatment, student loans were recorded as conventional loans. This means that interest is earned on the loan while it is outstanding, and if the loan is not repaid by the expiration date, a charge is recorded in the government accounts at that point. A number of concerns had been raised over this approach, including by the Office for Budget Responsibility, as it meant that:

- The public sector finances showed revenue associated with accrued interest on the loans, even when no payments were being made due to the income criteria not being met; and
- Due to the long length life of the loans, the government would likely face a large expenditure charge in future years when loans issued from 1998 onwards began to be written off.

In response to these concerns, the ONS undertook a review of different approaches for recording the loans, including considering approaches used internationally. The result of the review recommended that loans be recorded by recording part of the loan as a grant, which represents the amount of loan not expected to be repaid, with the remainder still recorded as a conventional loan. The grant element is recorded as capital spending in the year that the loan is issued.

The impact of this change on spending is shown in the table below for Scotland and the UK. As Scottish students do not face tuition fees, the value of loans issued is lower in Scotland, and as such the level of spending is also lower. This spending is currently captured through the expenditure accounting adjustments.

Capital expenditure associated with revised student loans recording (£ million)					
	2015-16	2016-17	2017-18	2018-19	2019-20
Scotland	165	198	311	285	324
UK	6,483	7,477	9,893	12,411	14,144
Scotland as share of UK (%)	2.5%	2.6%	3.1%	2.3%	2.3%

The capital expenditure on student loans is the main impact on the net fiscal balance. However, there is also an impact on revenue, as less interest will be earned on the loans. More detail on the changes is available at:

<https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/articles/newtreatmentofstudentloansinthepublicsectorfinancesandnationalaccounts/2018-12-17>

Table 3.2: Expenditure growth: 2018-19 to 2019-20 (£ million)				
	Scotland			UK growth
	2018-19	2019-20	Growth	
Current expenditure	69,626	71,540	2.7%	3.4%
Scottish Government	27,255	28,020	2.8%	2.8%
Local Government	12,571	13,266	5.5%	0.9%
Public Corporations	-	-	-	-
Other UK Government bodies	29,800	30,254	1.5%	4.1%
Capital expenditure	8,972	9,475	5.6%	4.3%
Scottish Government	2,688	3,007	11.9%	11.9%
Local Government	2,142	2,350	9.7%	11.4%
Public Corporations	1,573	1,504	-4.4%	4.1%
Other UK Government bodies	2,569	2,614	1.8%	2.1%
Total expenditure	78,598	81,015	3.1%	3.5%
Scottish Government	29,943	31,027	3.6%	3.6%
Local Government	14,713	15,616	6.1%	2.1%
Public Corporations	1,573	1,504	-4.4%	4.1%
Other UK Government bodies	32,369	32,868	1.5%	3.9%

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. Consistent with 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 reflects both increased local authority capital spending and increased Scottish Government capital spending in part due to the use of new capital borrowing powers. It has since remained at this higher level.

Table 3.3: Current and Capital Expenditure (% of Total Expenditure): Scotland					
	per cent				
	2015-16	2016-17	2017-18	2018-19	2019-20
Current	89.9%	88.3%	88.2%	88.6%	88.3%
Capital	10.1%	11.7%	11.8%	11.4%	11.7%

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 increased by 0.7 percentage points in Scotland in 2019-20. This represents a change from the trend of falling public expenditure since 2015-16, and more generally since 2009-10, and reflects the increased spending announced by the UK Government in Spending Round 2019.

Although overall spending in Scotland grew more slowly than for the UK in 2019-20, spending as a share of GDP increased faster. This reflects weaker GDP growth in Scotland in 2019-20.

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	per cent of GDP				
	2015-16	2016-17	2017-18	2018-19	2019-20
Scottish TME as a Share of GDP:					
Excluding North Sea GDP	49.3%	49.0%	48.4%	47.5%	48.2%
Including population share of North Sea GDP	49.0%	48.8%	48.1%	47.2%	47.9%
Including geographical share of North Sea GDP	46.9%	47.0%	46.1%	44.4%	46.1%
UK TME as a share of GDP:					
100% of North Sea GDP	41.0%	40.2%	40.0%	39.3%	39.8%

Table 3.5 shows total public sector expenditure per person for Scotland and the UK. The gap between Scottish and UK spending per person has increased since 2015-16. In part, this will reflect the new Scottish Government capital borrowing powers which began in 2015-16, and the decision by the Scottish Government to use its new devolved tax powers to on average increase the amount of funding available for public services. 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				
	2015-16	2016-17	2017-18	2018-19	2019-20
Scotland	13,493	13,864	14,153	14,436	14,829
UK	12,162	12,360	12,626	12,802	13,196
<i>Difference (Scotland minus UK)</i>	<i>1,331</i>	<i>1,504</i>	<i>1,527</i>	<i>1,634</i>	<i>1,633</i>
<i>Difference between Scottish and UK</i>	<i>10.9%</i>	<i>12.2%</i>	<i>12.1%</i>	<i>12.8%</i>	<i>12.4%</i>

Box 3.2 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. From 2018-19, it also includes spending on newly devolved social security, including the Carer's Allowance, Carer's Allowance Supplement, and Best Start Grant. This means it is higher than the figures presented in Table 4.5.

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)					
	2015-16	2016-17	2017-18	2018-19	2019-20
Social security spending in Scotland					
State pension	7,870	8,064	8,243	8,146	8,318
Housing benefit	1,772	1,733	1,671	1,588	1,442
Other DWP social security	5,806	5,841	6,073	6,364	7,012
HMRC child benefit and tax credits and universal credit	2,876	2,761	2,686	2,422	2,382
Scottish Government social security	426	418	419	663	823
Social security spending in Scotland	18,750	18,817	19,092	19,183	19,977
Share of benefit spending outside UK and corporate spend	549	556	586	376	381
Other social protection					
Net public sector pensions	991	896	830	1,033	402
Social care for the elderly	2,292	2,216	2,178	2,196	2,319
Other	721	598	596	1,412	1,197
Total social protection	23,302	23,082	23,281	24,201	24,275

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.

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Table 3.6: Total Expenditure: Scotland 2015-16 to 2019-20

	£ million														
	Current					Capital					Total				
	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20
General public services															
Public and common services	1,295	1,250	1,297	1,347	1,446	256	246	350	263	363	1,551	1,496	1,646	1,611	1,809
International services	682	735	762	744	822	164	158	101	235	143	845	893	862	979	966
Public sector debt interest	4,439	4,663	5,110	4,643	4,533	0	0	0	0	0	4,439	4,663	5,110	4,643	4,533
Defence	2,294	2,296	2,332	2,408	2,564	729	762	844	885	887	3,023	3,057	3,176	3,293	3,451
Public order and safety	2,746	2,660	2,716	2,844	3,004	73	78	130	140	149	2,818	2,738	2,845	2,984	3,153
Economic affairs															
Enterprise and economic development	910	906	959	1,112	1,324	140	342	366	500	471	1,051	1,249	1,326	1,612	1,795
Science and technology	101	146	181	186	189	377	349	383	533	565	478	494	564	720	754
Employment policies	217	214	230	246	209	2	5	9	4	0	219	219	239	250	209
Agriculture, forestry and fisheries	692	816	790	811	738	120	116	122	112	126	812	932	911	923	864
Transport	1,650	1,646	1,667	1,719	1,780	1,511	1,765	1,925	1,786	2,190	3,162	3,411	3,592	3,505	3,970
Environment protection	932	873	891	905	929	311	330	322	352	429	1,244	1,203	1,213	1,257	1,358
Housing and community amenities	160	112	159	213	227	1,410	1,476	1,689	2,029	2,216	1,570	1,588	1,848	2,242	2,443
Health	11,585	12,036	12,328	12,596	13,300	569	626	499	494	465	12,154	12,662	12,827	13,089	13,765
Recreation, culture and religion	1,140	1,092	1,061	1,169	1,123	263	310	258	236	201	1,404	1,403	1,320	1,405	1,323
Education and training	7,106	7,299	7,499	7,883	8,362	732	972	995	765	839	7,837	8,272	8,494	8,648	9,201
Social protection	23,234	23,012	23,223	24,115	24,170	68	71	58	86	105	23,302	23,082	23,281	24,201	24,275
EU Transactions	315	156	207	270	210	0	0	0	0	0	315	156	207	270	210
Accounting adjustments	5,771	6,338	6,363	6,414	6,610	609	1,146	999	554	326	6,379	7,484	7,362	6,968	6,936
Total	65,270	66,250	67,774	69,626	71,540	7,333	8,752	9,050	8,972	9,475	72,603	75,001	76,823	78,598	81,015

Table 3.7: Total Expenditure: UK 2015-16 to 2019-20

	£ million														
	Current					Capital					Total				
	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20
General public services															
Public and common services	9,778	9,656	10,092	10,204	11,341	1,433	2,827	2,381	2,576	3,140	11,211	12,483	12,473	12,780	14,481
International services	8,260	8,923	9,261	9,083	10,040	1,984	1,918	1,226	2,866	1,749	10,244	10,841	10,487	11,949	11,789
Public sector debt interest	53,788	56,642	62,206	56,728	55,382	0	0	0	0	0	53,788	56,642	62,206	56,728	55,382
Defence	27,796	27,881	28,399	29,422	31,336	8,831	9,250	10,271	10,816	10,835	36,627	37,131	38,670	40,238	42,171
Public order and safety	28,928	28,954	29,437	30,438	32,209	1,279	1,116	2,030	1,972	2,246	30,207	30,070	31,467	32,410	34,455
Economic affairs															
Enterprise and economic development	6,733	6,589	7,306	9,398	12,593	733	1,678	2,688	3,777	3,123	7,466	8,267	9,994	13,175	15,717
Science and technology	875	978	1,126	1,011	1,020	3,868	3,510	3,920	5,422	5,786	4,743	4,488	5,046	6,433	6,806
Employment policies	2,379	2,347	2,512	2,632	2,251	22	60	105	47	2	2,401	2,407	2,617	2,679	2,253
Agriculture, forestry and fisheries	4,090	4,769	4,774	5,320	5,354	381	434	403	414	514	4,471	5,203	5,177	5,734	5,868
Transport	9,765	9,868	9,967	11,963	13,407	18,143	18,953	20,464	20,741	21,295	27,908	28,821	30,431	32,704	34,701
Environment protection	7,937	7,264	7,260	7,365	7,793	3,676	3,782	4,529	3,685	3,860	11,613	11,046	11,789	11,050	11,653
Housing and community amenities	2,988	2,943	2,979	3,086	3,286	6,847	7,359	8,377	8,961	11,179	9,835	10,302	11,356	12,047	14,465
Health	132,663	136,978	141,033	145,899	156,501	5,836	5,611	6,304	7,019	7,629	138,499	142,589	147,337	152,918	164,130
Recreation, culture and religion	9,326	9,382	9,306	9,267	9,144	2,041	2,224	2,173	2,120	2,417	11,367	11,606	11,479	11,387	11,561
Education and training	75,595	77,319	77,088	79,051	83,800	9,319	7,586	8,967	8,999	8,596	84,914	84,905	86,055	88,050	92,395
Social protection	264,585	264,975	268,245	274,261	274,876	317	451	483	551	470	264,902	265,426	268,728	274,812	275,346
EU transactions	7,671	4,723	5,360	7,874	6,132	0	0	0	0	0	7,671	4,723	5,360	7,874	6,132
Accounting adjustments	59,951	65,148	65,386	65,720	67,957	15,677	20,534	18,995	13,009	14,171	75,628	85,682	84,380	78,729	82,128
Total	713,108	725,339	741,737	758,722	784,420	80,387	87,292	93,316	92,975	97,011	793,495	812,631	835,053	851,697	881,431

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Table 3.8: Total Expenditure: Scottish Government, Local Authorities, Public Corporations, and Other UK Government: Scotland 2015-16 to 2019-20

	£ million														
	Scottish Government, LAs and Public Corporations					Other UK Government					Total				
	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20
General public services															
Public and common services	1,048	1,002	1,089	1,075	1,203	503	495	557	535	606	1,551	1,496	1,646	1,611	1,809
International services	0	0	1	1	1	845	893	861	978	965	845	893	862	979	966
Public sector debt interest	0	0	0	0	0	4,439	4,663	5,110	4,643	4,533	4,439	4,663	5,110	4,643	4,533
Defence	4	4	3	3	3	3,019	3,053	3,173	3,290	3,448	3,023	3,057	3,176	3,293	3,451
Public order and safety	2,592	2,515	2,626	2,756	2,912	226	223	219	228	241	2,818	2,738	2,845	2,984	3,153
Economic affairs															
Enterprise and econ development	632	831	851	971	960	419	417	475	640	835	1,051	1,249	1,326	1,612	1,795
Science and technology	2	3	3	2	2	476	492	562	717	753	478	494	564	720	754
Employment policies	0	0	0	0	0	219	219	239	250	209	219	219	239	250	209
Agriculture, forestry and fisheries	804	922	901	915	856	8	11	11	8	8	812	932	911	923	864
Transport	2,359	2,397	2,518	2,466	2,753	803	1,014	1,074	1,038	1,217	3,162	3,411	3,592	3,505	3,970
Environment protection	949	938	925	998	1,078	295	265	288	259	280	1,244	1,203	1,213	1,257	1,358
Housing and community amenities	1,570	1,588	1,848	2,242	2,443	0	0	0	0	0	1,570	1,588	1,848	2,242	2,443
Health	12,002	12,508	12,660	13,002	13,680	152	155	167	87	85	12,154	12,662	12,827	13,089	13,765
Recreation, culture and religion	997	971	914	999	887	407	431	406	406	436	1,404	1,403	1,320	1,405	1,323
Education and training	7,814	8,247	8,467	8,632	9,184	23	25	27	16	16	7,837	8,272	8,494	8,648	9,201
Social protection	5,734	5,420	5,295	5,815	5,887	17,568	17,662	17,987	18,386	18,388	23,302	23,082	23,281	24,201	24,275
EU transactions	0	0	0	0	0	315	156	207	270	210	315	156	207	270	210
Accounting adjustments	5,694	6,266	6,422	6,351	6,299	685	1,218	940	616	637	6,379	7,484	7,362	6,968	6,936
Total	42,201	43,611	44,521	46,229	48,147	30,402	31,390	32,302	32,369	32,868	72,603	75,001	76,823	78,598	81,015

Scotland's Notional Contributions to the European Union Budget

While a member of the European Union (EU), the UK contributed to the EU budget and receives funding from the EU via a number of programmes. Although the UK left the EU on 31 January 2020, it continues to make payments to, and receive funding from, the EU under transitional arrangements.

Scotland does not contribute directly to the EU budget. In GERS, Scotland is assigned an estimated 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. Table 3.9 shows 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. The EU Transactions line in the GERS tables 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 in Box 3.2.

Funding the EU Budget

There are three key sources of funding for the EU, which come from each member state:²³

- 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

The UK's net contribution to the EU is calculated as the difference between the UK's gross contribution to the EU budget (less the rebate) and public sector EU receipts.

The table below sets out these transactions for Scotland and the UK.

²³ Further detail is available from HM Treasury's European Union Finances 2018 publication: <https://www.gov.uk/government/statistics/european-union-finances-2018>

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Table 3.9: Transactions with the institutions of the EU, 2015-16 to 2019-20 (£ million)										
	Scotland					UK				
	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20
GNI based contribution	1,039	927	945	1,174	1,045	12,570	11,440	11,761	14,599	13,003
UK abatement	-336	-392	-374	-397	-339	-4,068	-4,757	-4,547	-4,846	-4,149
VAT-based contribution to the EU	227	204	244	257	225	2,751	2,477	2,974	3,138	2,696
Expenditure transfers to the EU	930	739	816	1,034	931	11,253	9,160	10,188	12,892	11,549
Receipts to cover collection costs of TOR	-64	-29	-57	-54	-54	-771	-357	-698	-664	-663
TOR	254	277	280	270	272	3,085	3,366	3,413	3,304	3,320
Gross contribution to the EU budget	1,121	987	1,039	1,250	1,148	13,567	12,169	12,903	15,531	14,206
Public sector EU receipts	-551	-554	-552	-710	-666	-2,811	-4,081	-4,130	-4,360	-4,754
Net contributions to the EU budget	570	433	487	540	482	10,756	8,088	8,773	11,171	9,452
<i>EU transactions (net contributions to EU institutions less TOR)</i>	<i>315</i>	<i>156</i>	<i>207</i>	<i>270</i>	<i>210</i>	<i>7,671</i>	<i>4,722</i>	<i>5,360</i>	<i>7,867</i>	<i>6,132</i>

Box 3.3: 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 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 2014-15 to 2018-19, 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 2014-15 to 2018-19

	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
Scotland	94.1	97.4	104.8	116.3	111.1
UK	836.1	840.6	877.2	924.4	990.8

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

Box 3.4: 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.

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

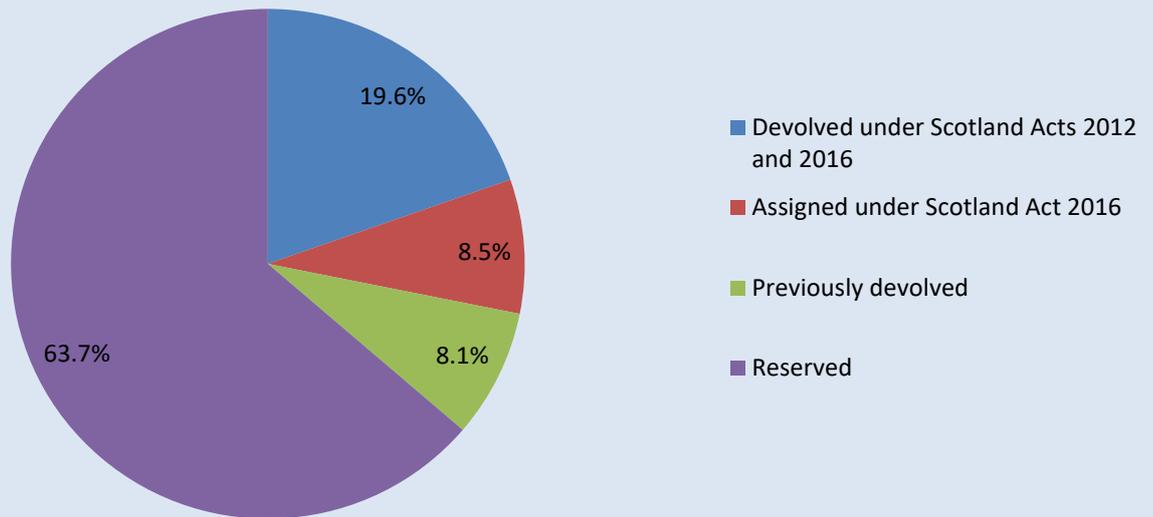
Payments for both PFI and NPD projects take the form of a unitary charge which is usually paid annually over the lifetime of the contract. It is worth emphasising that these payments are already fully reflected in the GERS spending figures. In addition, the table below includes Ministry of Defence projects 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 2015-16 to 2019-20 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, 2015-16 to 2019-20					
	£ million				
	2015-16	2016-17	2017-18	2018-19	2019-20
By scheme type					
Private Finance Initiative	995	998	1,013	1,027	1,046
Non-Profit Distributing models ¹	72	107	189	271	333
Total Unitary Charge payments	1,067	1,106	1,202	1,298	1,379
By procuring authority					
Further Education	9	27	35	35	35
Local Government	507	514	548	586	606
NHS	247	258	273	303	328
Other Scottish Government	136	133	169	194	226
Ministry of Defence	21	25	26	26	24
Scottish Water	146	148	151	155	160
Total Unitary Charge payments	1,067	1,106	1,202	1,298	1,379
By sector of project					
Energy	5	5	5	-	-
Further Education	9	27	35	35	35
Health	247	258	273	303	328
IT	-	-	-	-	-
Ministry of Defence	21	25	26	26	24
Offices	3	3	3	3	3
Police	4	4	4	5	5
Prisons	49	47	47	48	50
Schools	462	469	502	546	565
Transport	104	102	138	161	192
Waste	163	165	169	172	178
Total Unitary Charge payments	1,067	1,106	1,202	1,298	1,379
<i>UK Total Unitary Charge Payments</i>	<i>10,502</i>	<i>10,471</i>	<i>10,715</i>	<i>10,099</i>	<i>10,152</i>
<i>Scotland as % UK</i>	<i>10.2%</i>	<i>10.6%</i>	<i>11.2%</i>	<i>12.9%</i>	<i>13.6%</i>

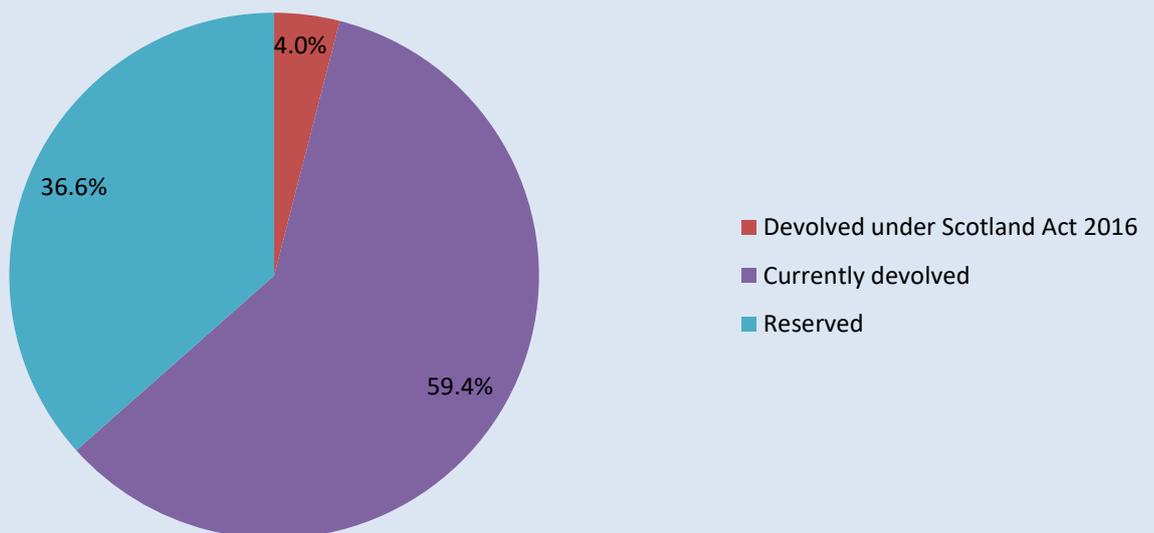
¹ Non-profit distributing models includes projects delivered by the hub model and projects commissioned prior to 2010. Further detail is available at: <http://www.gov.scot/Topics/Government/Finance/18232/12308>
Source: HM Treasury and Scottish Government figures. See the accompanying spreadsheet for full details of all sources

CHAPTER 4: DEVOLVED REVENUE & EXPENDITURE

Devolved and Reserved Revenue in Scotland 2019-20



Devolved and Reserved Expenditure in Scotland 2019-20



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 is changing 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 2019-20 was estimated to reach £17,673 million.

Since 2017-18, power over non-savings non-dividend income tax has been devolved to the Scottish Parliament. HMRC has put in place new infrastructure to identify Scottish income tax payers and tax revenue since 2016-17, 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 are not available for earlier years. As a result, the income tax estimates for 2015-16 in the shaded cells are not directly comparable to the estimates for later years.

	£ million				
	2015-16	2016-17	2017-18	2018-19	2019-20
Council tax	2,045	2,074	2,253	2,359	2,518
Non-domestic rates	2,579	2,732	2,762	2,847	2,761
Land and buildings transaction tax ¹ (devolved from 2015-16)	425	484	557	554	598
Scottish landfill tax (devolved from 2015-16) ²	147	149	148	149	119
Non-savings and non-dividend income tax liabilities (devolved from 2016-17) ³	10,948	10,719	10,916	11,378	11,677
Total devolved taxes	16,144	16,157	16,636	17,287	17,673

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. Figures for 2016-17 and 2017-18 are from HMRC accounts, and the figures for 2018-19 and 2019-20 are from the SFC forecast from February 2020.

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				
	2015-16	2016-17	2017-18	2018-19	2019-20
Air passenger duty (date of devolution to be decided)	246	256	274	290	273
Aggregates levy (date of devolution to be decided)	53	63	57	57	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. The transition period for VAT assignment began on 1 April 2019.

Table 4.3 shows the VAT that would have been assigned to Scotland under this approach, consistent with the latest published estimates of Scottish Assigned VAT (see Box 1.2).

Table 4.3: VAT Assignment: Scotland 2015-16 to 2019-20

	£ million				
	2015-16	2016-17	2017-18	2018-19	2019-20
VAT assignment (from 2019-20)	4,808	4,823	5,268	5,567	5,507

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.²⁴ 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.

²⁴ 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				
	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20
Income tax	2,035	1,981	2,011	2,090	2,137	2,422	2,481	2,540	2,662	2,688
VAT	894	891	971	1,022	1,008	894	930	947	999	1,001
APD	46	47	50	53	50	47	49	51	55	51
LBTT	80	91	104	103	110	181	198	215	198	191
Landfill tax	27	28	27	27	22	15	14	12	11	11
AL	10	12	11	11	10	5	6	5	5	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 2019-20 for Scotland and 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.

	£ million				
	2015-16	2016-17	2017-18	2018-19	2019-20
Council tax reduction	344	332	327	331	340
Scottish welfare fund	33	35	33	35	38
Discretionary housing payments	49	52	59	62	66
Total	426	418	419	429	443

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

	£ million				
	2015-16	2016-17	2017-18	2018-19	2019-20
Disability living allowance	1,400	1,219	999	893	801
Attendance allowance	487	487	492	506	531
Carer's allowance ¹	222	234	249	266	276
Winter fuel payment	181	178	176	173	171
Personal independence payment	318	552	930	1,138	1,332
Industrial injuries disablement benefit	87	84	82	82	82
Severe disablement allowance	51	22	12	10	9
Cold weather payment	3	1	22	10	29
Funeral payment	5	5	5	5	4
Sure Start maternity grant ²	3	3	2	2	-
Total expenditure on social security to be devolved	2,757	2,785	2,969	3,084	3,234

Notes: ¹ Carer's Allowance was devolved to the Scottish Government on 3 September 2018. Figures here show spending as if continuing UK Government policies, as estimated by the SFC. It there excludes the new Carer's Allowance Supplement introduced by the Scottish Government.

² Sure Start maternity grant was replaced in Scotland by the Scottish Government's Best Start Grant on 10 December 2018. Comparable spending figures are not available for 2019-20.

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. For the Sure Start maternity grant and Funeral payments, a one-off adjustment will be made to the Scottish Government budget when they are devolved. For the other benefits, 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 2014-15 for each individual benefit.

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

	£ per person									
	Scotland					Rest of GB				
	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17	2017-18	2018-19	2019-20
Disability living allowance	260	225	184	164	147	204	176	142	122	108
Attendance allowance	91	90	91	93	97	86	85	86	87	91
Carer's allowance	41	43	46	49	51	40	42	44	44	45
Winter fuel payment	34	33	32	32	31	33	32	31	31	30
Personal independence payments	59	102	171	209	244	46	79	131	159	187
Industrial Injuries disability benefit	16	16	15	15	15	13	13	12	12	12
Severe disablement allowance	9	4	2	2	2	7	4	2	1	1
Cold weather payment	1	0	4	2	5	0	0	2	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)	-	11,677
Council tax	2,487	2,487
Non-domestic rates	2,761	2,761
Land and buildings transaction tax (devolved from 2015-16)	-	598
Scottish landfill tax (devolved from 2015-16)	-	119
Air passenger duty (date to be decided)	-	273
Aggregates levy (date to be decided)	-	57
Total devolved taxes	5,248	17,972
Devolved taxes as % of non-North Sea Scottish revenue	8%	28%
as % of revenue incl geographical share of North Sea revenue	8%	27%
Assigned VAT (in transition from 2019-20)	-	5,507
Total devolved and assigned taxes	5,248	23,479
Devolved and assigned taxes as % of non-North Sea Scottish revenue	8%	36%
as % of taxes incl geographical share of North Sea revenue	8%	36%
Devolved expenditure including housing benefit ¹ (HB)	48,147	51,381
Devolved taxes as % of estimated devolved expenditure	11%	35%
Devolved and Assigned taxes as % of estimated devolved expenditure	11%	46%

¹ 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)					
	2015-16	2016-17	2017-18	2018-19	2019-20
Scotland	5,381	5,410	5,428	5,444	5,463
UK	65,245	65,746	66,139	66,526	66,797
As % of UK total	8.2%	8.2%	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 2019-20 population is estimated as three-quarters of the 2019 population plus one quarter of the 2020 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				
	2015-16	2016-17	2017-18	2018-19	2019-20
Current Budget					
Current revenue					
Excluding North Sea revenue	56,530	59,372	61,432	64,076	65,155
Including North Sea revenue (population share)	56,523	59,375	61,538	64,174	65,208
Including North Sea revenue (geographical share)	56,213	59,529	62,573	65,442	65,878
Current expenditure	65,270	66,250	67,774	69,626	71,540
Capital consumption	5,343	5,431	5,408	5,970	6,266
Balance on current budget (surplus is positive, deficit is negative)					
Excluding North Sea revenue	-14,083	-12,308	-11,749	-11,520	-12,651
Including North Sea revenue (population share)	-14,090	-12,306	-11,643	-11,422	-12,598
Including North Sea revenue (geographical share)	-14,400	-12,151	-10,609	-10,154	-11,927
Capital Budget					
Capital expenditure	7,333	8,752	9,050	8,972	9,475
Capital consumption	-5,343	-5,431	-5,408	-5,970	-6,266
Net Investment	1,990	3,321	3,642	3,001	3,209
Net Fiscal Balance (surplus is positive, deficit is negative)					
Excluding North Sea revenue	-16,073	-15,629	-15,391	-14,521	-15,860
Including North Sea revenue (population share)	-16,080	-15,626	-15,285	-14,424	-15,807
Including North Sea revenue (geographical share)	-16,390	-15,472	-14,251	-13,155	-15,136

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				
	2015-16	2016-17	2017-18	2018-19	2019-20
Scottish GDP					
Excluding North Sea and share of UK extra-regio	147,176	153,012	158,687	165,302	168,171
Including North Sea (population share)	148,070	153,810	159,595	166,618	169,085
Including North Sea (geographical share)	154,654	159,719	166,476	177,047	175,921
UK GDP	1,934,600	2,019,484	2,085,654	2,166,842	2,216,479

Source: Quarterly National Accounts Scotland, <https://www.gov.scot/collections/economy-statistics/>; 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				
	2015	2016	2017	2018	2019
Net Fiscal Balance					
Excluding North Sea revenue	-16,481	-16,422	-15,489	-15,858	-16,071
Including North Sea revenue (per capita share)	-16,477	-16,451	-15,393	-15,765	-15,990
Including North Sea revenue (geographical share)	-15,753	-16,966	-14,369	-14,620	-15,052
UK	-88,010	-66,804	-50,787	-48,544	-49,420
			As % of GDP		
Excluding North Sea revenue	-11.2%	-10.9%	-9.8%	-9.7%	-9.6%
Including North Sea revenue (per capita share)	-11.2%	-10.8%	-9.7%	-9.5%	-9.5%
Including North Sea revenue (geographical share)	-10.2%	-10.7%	-8.7%	-8.3%	-8.5%
UK	-4.6%	-3.4%	-2.5%	-2.3%	-2.2%

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 A5: Confidence intervals around survey based apportionments: Scotland					
	£ million				
	Central estimate	95% lower bound	95% upper bound	Range	Range (%)
National insurance contributions	11,460	11,265	11,655	+/-195	+/-1.7%
VAT ¹	11,015	10,773	11,257	+/-242	+/-2.2%
Tobacco duties	1,240	1,218	1,261	+/-21	+/-1.7%
Alcohol duties	1,149	1,057	1,241	+/-92	+/-8%
Betting and gaming duties	223	220	226	+/-3	+/-1.4%
Insurance premium tax	419	411	428	+/-8	+/-2%
Total survey based apportionments	25,505	24,944	26,067	+/-562	+/-2.2%

¹ The estimate of VAT uncertainty is a Scottish Government estimate, based on the Living Costs and Food Survey. It is not a measure of the uncertainty associated with the VAT assignment model. Estimates of this are due to be published later in 2020.

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. For the first time, CRA 2017-18 included a detailed line by line description of the methodology used to apportion spending. 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 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/collections/economy-statistics/#governmentexpenditureandrevenuescotland>

As the CRA for 2019-20 is not yet published, there are no formal amendments to individual spending lines in 2019-20. The 2018-19 adjustments are in effect carried forward into 2019-20, adjusted for the spending of the responsible department. Further detail is provided in the expenditure methodology note.

An adjustment is also made to Scottish local government spending published in PESA. PESA reflects an increase in capital spending consistent with the headline figures set out in the provisional capital expenditure outturn published by the Scottish Local Government and Communities Directorate. However, some of this increase is associated with a number of sale and leaseback transactions in one local authority. Following the approach set out in

section 6.2 of the Manual on Government Deficit and Debt 2019, these transactions are excluded from capital expenditure figures in GERS. Following discussions with HM Treasury we understand that this expenditure will be removed in future updates to the quarterly Public Spending Statistics publication.

Table A.6: Amendments to Estimates of Total Public Sector Expenditure on Services from CRA 2018

	£ million				
	2015-16	2016-17	2017-18	2018-19	2019-20
Amendments from the CRA					
Nuclear-related expenditure	-50	-60	-57	-53	0
London Olympics	0	0	0	0	0
Pensions revisions	-19	-19	-20	-21	0
Other minor revisions	-33	-67	-53	-80	0
Amendments from PESA					
Local Government spending	-	-	-	-	-503
Total CRA amendments	-102	-146	-131	-154	-
Total PESA amendments	-	-	-	-	-503

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				
	2015-16	2016-17	2017-18	2018-19	2019-20
UK total managed expenditure (TME)	793,495	812,631	835,053	851,697	881,431
UK total expenditure on services (TES)	717,867	726,949	750,673	772,968	799,304
UK accounting adjustment	75,628	85,682	84,380	78,729	82,128
of which current expenditure:					
Central government capital consumption	26,726	27,596	28,240	28,414	28,741
Local government capital consumption	11,570	12,016	12,354	12,659	13,013
Current VAT refunds	14,959	15,189	15,187	16,990	17,558
Imputed subsidy from Local Authorities to the Housing Revenue Account ¹	645	827	1,124	1,319	2,114
Imputed flows for Renewable Obligation Certificates ²	3,900	4,672	5,424	6,124	6,116
Local authority pensions	400	200	100	100	100
British Transport Police Service Agreements	150	145	145	145	145
Current expenditure residual	1,602	4,504	2,811	-31	-2,110
of which capital expenditure:					
Capital VAT refunds	2,765	2,259	2,085	1,221	1,262
Housing associations	5,486	7,386	6,330	832	165
Student loans	6,483	7,477	9,893	12,411	14,144
Capital expenditure residual	943	3,411	687	-1,456	-1,400

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				
	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	8.4%	8.7%	8.7%	8.9%	8.4%
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
British Transport Police Service Agreements	13	12	9	12	12
Current expenditure residual	132	371	232	-2	14
Of which capital expenditure:					
Capital VAT refunds	249	205	190	112	116
Housing associations	118	463	443	276	0
Student loans	165	198	311	285	324
Capital expenditure residual	77	280	56	-119	-115

^{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, 2019-20			
	Expenditure AA	Revenue AA	Revenue line
	£ million		
Of which current expenditure:			
Central government capital consumption	2,745	2,745	Gross operating surplus
Local government capital consumption	1,336	1,336	Gross operating surplus
Current VAT refunds	1,611	1,611	VAT
Imputed subsidy from Local Authorities to the Housing Revenue Account	157	-	n/a
Imputed flows for Renewable Obligation Certificates	726	726	Other taxes, royalties, and adjustments
Local authority pensions	9	-	n/a
British Transport Police Service Agreements	12	12	Other taxes, royalties, and adjustments
Current expenditure residual	14	-	n/a
Of which capital expenditure:			
Capital VAT refunds	116	116	VAT
Housing associations	0	-	n/a
Student loans	324	-	n/a
Capital expenditure residual	-115	-	n/a
Total accounting adjustments	6,936	6,545	

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 actual pensions expenditure, 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 2018-19 rather than 2019-20, as this is the latest year for which published accounts are available for both the Scottish Government and Scottish local government. 2019-20 figures in GERS are based on provisional outturn estimates.

Table A.10: Reconciliation of published budget documents to GERS expenditure Table 3.8	
	£ billion 2018-19
Scottish Government	
Published Scottish Government budget ¹	42.9
Spending by Audit Scotland and Scottish Parliament	0.1
Public corporation (PC) capital spending	0.6
Timing differences	-1.7
Total Scottish Government & associated PC expenditure	41.8
Adjustments to align budget to CRA measure of spending	
Grants to other public sector bodies (e.g. local government)	-10.6
Pensions	-4.2
Depreciation	-0.9
Financial transactions associated with student loans and public corporations	-1.0
Adjustments to move from spend 'in' Scotland to spend 'for' Scotland ²	-0.1
Other	-0.5
Final Scottish Government & PC expenditure on services for Scotland	24.4
Scottish Local Government	
Published Local Government gross current expenditure ³	13.3
Income excluding grants from Central Government ⁴	-2.4
Housing benefit	1.6
Published Local Government gross capital expenditure ⁵	3.0
Income from sales of capital assets ⁶	-0.1
Final Scottish Local Government & associated PC expenditure on services for Scotland	15.5
Scottish Government, Local Government, & PC expenditure on services for Scotland	
	39.9
National Accounts adjustments⁷	
Capital consumption	4.0
VAT refunds	1.7
Other accounting adjustments	0.7
Final Scottish Government, Scottish Local Government & PC TME	46.2

¹ Scottish Government Budget 2020-21 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 2018-19, 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).

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

⁵ Scottish Local Government Finance Statistics 2018-19, Annex G. All services total gross capital expenditure

⁶ Scottish Local Government Finance Statistics 2018-19, Annex I. Total capital receipts used from asset sales/disposals

⁷ See Table A.8

B REVISIONS

This section presents revisions from the previous GERS 2018-19 publication.

Revisions to Non-North Sea Revenue Estimates from GERS 2018-19

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. The main methodology change in GERS 2019-20 relates to gross operating surplus.

There are a number of revisions to UK revenue totals from GERS 2018-19. The main revisions relate to the new estimates of capital consumption and the change to report public sector pensions on a gross basis. The changes to capital consumption relate to a review of asset lives within the ONS Perpetual Inventory Model, and increase gross operating surplus. There are offsetting increases in expenditure, leaving the net fiscal balance unchanged. The changed reporting of public sector pensions, reporting these on a gross basis, increases interest income from funded pension schemes (primarily those in the local government sector). There is a similar increase in interest expenditure, although overall the change is not neutral for the net fiscal balance. These revisions are shown in the table below. The other main change to UK revenue relates to corporation tax. This reflects the correction of an error to UK corporation tax made by HMRC in September 2019. Previously, some corporation tax credits had been included twice within corporation tax receipts, which are measured on a gross basis. Correcting this has reduced corporation tax in all years since 2007-08. Further detail on all these revisions is available from the UK Public Sector Finances published in September 2019.²⁵

Table B.1: Revision to Estimates of Total Non-North Sea Revenue				
	£ million			
	2015-16	2016-17	2017-18	2018-19
Scotland				
Estimates published in GERS 2018-19	53,805	56,245	58,327	61,278
Estimates published in GERS 2019-20	56,530	59,372	61,432	64,076
Revision (£m)	2,726	3,127	3,105	2,798
<i>Of which: capital consumption</i>	1,005	1,075	1,032	1,611
<i>Of which: public sector pensions</i>	1,360	1,454	1,559	1,647
UK				
Estimates published in GERS 2018-19	685,012	727,040	751,776	785,257
Estimates published in GERS 2019-20	712,413	756,587	777,267	809,859
Revision (£m)	27,401	29,547	25,491	24,602
<i>Of which: capital consumption</i>	7,195	7,739	7,925	8,451
<i>Of which: public sector pensions</i>	14,678	15,632	16,699	17,652
Scotland/UK ratio				
Estimates published in GERS 2018-19	7.9%	7.7%	7.8%	7.8%
Estimates published in GERS 2019-20	7.9%	7.8%	7.9%	7.9%
Revision (% point)	0.1%	0.1%	0.1%	0.1%

²⁵ <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/august2019#what-has-changed-in-this-release>

B Revisions

The main revisions to Scottish revenue reflect these UK revisions. In addition to the UK methodological updates, there have also been revisions that result from update to apportionment data. These relate to corporation tax, where updated estimates are available from the ONS's Country and Regional Public Sector Finances, and VAT, where updated data are available from the VAT Assignment estimates produced by HMRC.

Table B.2: Revision to Estimates of Public Sector Revenue: Scotland and UK 2018-19				
	£ million		%	
	Scotland	UK	Scotland	UK
Income tax	16	269	0.1%	0.1%
National insurance contributions	-36	-446	-0.3%	-0.3%
Value added tax	-20	595	-0.2%	0.4%
Corporation tax (excluding North Sea)	-582	-2,454	-14.3%	-4.2%
Fuel duties	55	0	2.3%	0.0%
Non-domestic rates	0	598	0.0%	1.9%
Council tax	-1	354	0.0%	1.0%
VAT refunds	34	-55	2.1%	-0.3%
Capital gains tax	-2	-45	-0.5%	-0.5%
Inheritance tax	-39	-10	-13.4%	-0.2%
Reserved stamp duties	-12	3	-3.9%	0.0%
Scottish Land & Buildings transaction tax	-2	-2	-0.4%	-0.4%
Scottish landfill tax	6	6	4.2%	4.2%
Air passenger duty	-48	11	-14.1%	0.3%
Tobacco duties	67	0	6.1%	0.0%
Alcohol duties	-4	-31	-0.3%	-0.3%
Insurance premium tax	8	18	1.9%	0.3%
Vehicle excise duties	14	-51	2.6%	-0.8%
Environmental levies	-8	-112	-1.0%	-1.7%
Other taxes	-73	-252	-3.9%	-1.1%
Total Non-North Sea taxes	-626	-1,604	-1.1%	-0.2%
Other Revenue				
Interest and dividends	1,661	15,613	467.7%	182.6%
Gross operating surplus	1,746	10,406	39.6%	24.6%
Other receipts	16	187	3.8%	5.5%
Total non-North Sea revenue	2,798	24,602	4.6%	3.1%

A time series of revisions is available in the accompanying spreadsheets online.

Revisions to North Sea Revenue Estimates from GERS 2018-19

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 have been revised down in all years. This reflects updated assessment of refunds of Petroleum Revenue Tax paid to fields in Scottish waters. Estimates of North Sea corporation tax receipts are largely unrevised.

Table B.3: Revisions to North Sea Revenue: 2015-16 to 2018-19				
	£ million			
	2015-16	2016-17	2017-18	2018-19
Scotland (illustrative geographical share)				
Estimates published in GERS 2018-19	50	266	1,426	1,430
Estimates published in GERS 2019-20	-318	157	1,141	1,366
Revision	-368	-109	-285	-64
UK				
Estimates published in GERS 2018-19	-85	36	1,297	1,237
Estimates published in GERS 2019-20	-85	36	1,297	1,195
Revision	0	0	0	-42

Revisions to Expenditure Estimates from GERS 2018-19

Table B.4 sets out the changes in estimates of public expenditure in Scotland and the UK between this report and GERS 2018-19. 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.

The main revisions to spending relate to revisions to UK spending totals. These relate to the revised treatment of student loans, the changed estimates of capital consumption, and the move to report public sector pensions on a gross basis. These changes are discussed in Box 3.1 and the Preface. The change to the reporting of public sector pensions means that some spending by funded pension scheme is recorded in TES as part of debt interest payments. The revisions to Scottish spending are broadly in line with those for the UK, apart from student loans, which as discussed in Box 3.1 sees lower spending in Scotland. Scotland's share of total public sector expenditure is unchanged in most years, and slightly lower in 2018-19.

Table B.4: Revisions to Estimates of Total Managed Expenditure: 2015-16 to 2018-19				
	£ million			
	2015-16	2016-17	2017-18	2018-19
Scotland				
Estimates published in GERS 2018-19	69,339	71,432	73,518	75,338
Estimates published in GERS 2019-20	72,603	75,001	76,823	78,598
Revision	3,264	3,570	3,305	3,260
<i>Of which revisions to TES</i>	1,285	1,348	1,338	1,376
<i>Of which revisions to capital consumption</i>	1,005	1,075	1,032	1,611
<i>Of which revisions to student loans</i>	165	198	311	285
<i>Of which revisions to TES to TME accounting adjustment (excl CC and SL)</i>	1,587	1,716	542	83
UK				
Estimates published in GERS 2018-19	756,767	771,954	794,869	810,027
Estimates published in GERS 2019-20	793,495	812,631	835,053	851,697
Revision	36,728	40,677	40,184	41,670
<i>Of which revisions to TES</i>	15,713	16,425	17,322	16,736
<i>Of which revisions to capital consumption</i>	7,195	7,739	7,925	8,451
<i>Of which revisions to student loans</i>	2,219	3,847	5,434	6,483
<i>Of which revisions to TES to TME accounting adjustment (excl CC and SL)</i>	158	16,096	8,966	9,182
Scotland/UK Ratio				
Estimates published in GERS 2018-19	9.2%	9.3%	9.2%	9.3%
Estimates published in GERS 2019-20	9.1%	9.2%	9.2%	9.2%
Revision (% point)	0.0%	0.0%	0.0%	-0.1%

The table below shows the revisions to spend in 2018-19 by function, and by Scottish Government, Scottish local government, Scottish public corporations, and Other UK government bodies. Overall, Scottish spend in 2018-19 has been revised up by £3.3 billion. This is primarily reflects the changes to capital consumption (shown in the accounting adjustments) and reporting of pensions (shown in debt interest payments) discussed above.

Table B.5: Revisions to Estimates of Public Sector Expenditure: Scotland and UK 2018-19

	£ million					
	Scotland					UK
	Scottish Government	Local Government	Scottish Public Corporations	Other UK Government Bodies	Total	
General public services						
Public and common services	0	-86	0	-12	-98	-412
International services	0	0	0	-10	-10	-79
Public sector debt interest	0	0	0	1,481	1,481	18,230
Defence	0	0	0	-12	-12	-3
Public order and safety	0	0	0	-12	-12	33
Economic affairs						
Enterprise and economic development	-2	-45	0	24	-23	533
Science and technology	0	0	0	4	4	1
Employment policies	0	0	0	10	10	0
Agriculture, forestry and fisheries	51	-20	2	-4	28	-11
Transport	-60	-5	46	-265	-283	81
Environment protection	0	21	0	2	23	-129
Housing and community amenities	0	22	-1	0	21	-410
Health	0	0	0	-22	-21	-24
Recreation, culture and religion	0	54	0	13	66	222
Education and training	0	172	0	-12	160	-1,374
Social protection	1	-290	0	364	75	78
EU Transactions	0	0	0	-34	-34	0
Accounting adjustments	1,534	0	118	232	1,884	24,934
Total revision	1,524	-177	165	1,748	3,260	41,670

Revisions to Estimates of Capital Consumption

Table B.6 sets out the changes to estimates of capital consumption in Scotland and the UK between this report and the previous publication of GERS. 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: 2015-16 to 2018-19				
	£ million			
	2015-16	2016-17	2017-18	2018-19
Scotland				
Estimates published in GERS 2018-19	4,338	4,356	4,376	4,359
Estimates published in GERS 2019-20	5,343	5,431	5,408	5,970
Revision	1,005	1,075	1,032	1,611

In general, capital consumption in all years has been revised up in all years, reflecting the new methodology discussed above.

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 its perpetual inventory model.

Revisions to Fiscal Aggregates

Table B.7 shows revisions to the current budget balance from the previous publication of GERS. The UK and Scottish current budget deficits have increased in all years. This reflects the increases to capital consumption discussed above.

Table B.7: Revisions to Estimates of the Current Budget Balance: 2015-16 to 2018-19

	£ million			
	2015-16	2016-17	2017-18	2018-19
Estimates published in GERS 2018-19				
Excluding North Sea revenue	-12,677	-11,030	-10,744	-9,376
Including North Sea revenue (per capita share)	-12,684	-11,027	-10,638	-9,275
Including North Sea revenue (geographical share)	-12,627	-10,764	-9,318	-7,947
<i>UK</i>	-37,766	-6,416	861	18,121
Estimates published in GERS 2019-20				
Excluding North Sea revenue	-14,083	-12,308	-11,749	-11,520
Including North Sea revenue (per capita share)	-14,090	-12,306	-11,643	-11,422
Including North Sea revenue (geographical share)	-14,400	-12,151	-10,609	-10,154
<i>UK</i>	-48,053	-17,237	-12,153	3,519
Difference (£ million) (positive shows improvement)				
Excluding North Sea revenue	-1,406	-1,278	-1,005	-2,144
Including North Sea revenue (per capita share)	-1,406	-1,279	-1,005	-2,147
Including North Sea revenue (geographical share)	-1,773	-1,387	-1,291	-2,207
<i>UK</i>	-10,287	-10,821	-13,014	-14,602

Table B.8 shows revisions to the net fiscal balance from the previous publication of GERS. In general, these are much smaller than the revisions to the current budget balance for Scotland, reflecting that the majority of changes are net fiscal balance neutral, and that the revisions to student loans have a smaller impact in Scotland. Revisions are larger for the UK, primarily due to the larger impact of student loans on UK spending..

Table B.8: Revisions to Estimates of the Net Fiscal Balance: 2015-16 to 2018-19

	£ million			
	2015-16	2016-17	2017-18	2018-19
Estimates published in GERS 2018-19				
Excluding North Sea revenue	-15,535	-15,187	-15,192	-14,060
Including North Sea revenue (per capita share)	-15,542	-15,184	-15,085	-13,958
Including North Sea revenue (geographical share)	-15,484	-14,921	-13,766	-12,630
<i>UK</i>	-71,840	-44,878	-41,796	-23,533
Estimates published in GERS 2019-20				
Excluding North Sea revenue	-16,073	-15,629	-15,391	-14,521
Including North Sea revenue (per capita share)	-16,080	-15,626	-15,285	-14,424
Including North Sea revenue (geographical share)	-16,390	-15,472	-14,250	-13,155
<i>UK</i>	-81,167	-56,008	-56,489	-40,643
Difference (£ million) (positive shows improvement)				
Excluding North Sea revenue	-538	-442	-199	-461
Including North Sea revenue (per capita share)	-538	-442	-200	-466
Including North Sea revenue (geographical share)	-906	-551	-484	-525
<i>UK</i>	-9,327	-11,130	-14,693	-17,110

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 of the balances as a share of GDP would generally have been unchanged, apart from those including the geographical share of the North Sea. This reflects the downward

B Revisions

revision to the nominal value of North Sea GDP made in the Quarterly National Accounts Scotland for 2019Q3. This was a routine annual update to bring the value of GVA for the offshore oil and gas industry in line with the latest UK national accounts.

Table B.9: Impact of Revisions to GDP on Estimates of the Current Budget Balance

	2015-16	2016-17	2017-18	2018-19
Estimates published in GERS 2018-19	% of GDP			
Excluding North Sea revenue	-8.6%	-7.2%	-6.8%	-5.7%
Including North Sea revenue (population share)	-8.5%	-7.2%	-6.7%	-5.6%
Including North Sea revenue (geographical share)	-7.9%	-6.6%	-5.5%	-4.4%
<i>UK</i>	-2.0%	-0.4%	0.0%	0.8%
GERS 2018-19 estimate with latest GDP estimates	% of GDP			
Excluding North Sea revenue	-8.6%	-7.2%	-6.8%	-5.7%
Including North Sea revenue (population share)	-8.6%	-7.2%	-6.7%	-5.6%
Including North Sea revenue (geographical share)	-8.2%	-6.7%	-5.6%	-4.5%
<i>UK</i>	-2.0%	-0.3%	0.0%	0.8%
Change (positive denotes improvement)	% point difference			
Excluding North Sea revenue	0.0%	0.0%	0.0%	0.0%
Including North Sea revenue (population share)	0.0%	0.0%	0.0%	0.0%
Including North Sea revenue (geographical share)	-0.2%	-0.1%	-0.1%	-0.1%
<i>UK</i>	0.0%	0.0%	0.0%	0.0%

Table B.10: Impact of Revisions to GDP on Estimates of the Net Fiscal Balance

	2015-16	2016-17	2017-18	2018-19
Estimates published in GERS 2018-19	% of GDP			
Excluding North Sea revenue	-10.6%	-9.9%	-9.6%	-8.5%
Including North Sea revenue (population share)	-10.5%	-9.9%	-9.5%	-8.4%
Including North Sea revenue (geographical share)	-10.0%	-9.3%	-8.3%	-7.1%
<i>UK</i>	-3.7%	-2.2%	-2.0%	-1.1%
GERS 2018-19 estimate with latest GDP estimates	% of GDP			
Excluding North Sea revenue	-10.7%	-10.5%	-9.7%	-9.3%
Including North Sea revenue (population share)	-10.5%	-10.5%	-9.6%	-9.2%
Including North Sea revenue (geographical share)	-8.9%	-9.7%	-8.9%	-7.9%
<i>UK</i>	-4.9%	-3.8%	-2.3%	-1.9%
Change (positive denotes improvement)	% point difference			
Excluding North Sea revenue	0.0%	0.0%	0.0%	0.0%
Including North Sea revenue (population share)	-0.1%	0.0%	0.0%	0.0%
Including North Sea revenue (geographical share)	-0.3%	-0.2%	-0.2%	-0.2%
<i>UK</i>	0.1%	0.1%	0.0%	0.0%

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
GERS	Government Expenditure and Revenue Scotland
GOS	Gross Operating Surplus
HEI	Higher Education Institutions
HMRC	HM Revenue and Customs
IMF	International Monetary Fund
NPD	Non-Profit Distributing
NHS	National Health Service
NRS	National Records of Scotland
NSND	Non-savings non-dividends income tax
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

Government Expenditure & Revenue Scotland was assessed by the Office for Statistics Regulation (OSR) and designated as National Statistics in February 2014, signifying compliance with the Code of Practice for Statistics. Assessment Report 274 can be found at <https://www.statisticsauthority.gov.uk/publication/statistics-on-government-expenditure-and-revenue-scotland/>

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

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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.

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