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GOVERNMENT
EXPENDITURE & REVENUE
SCOTLAND 2020-21

AUGUST 2021



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?
- This year's publication covers the first full year affected by the coronavirus pandemic, which continues to have a significant impact on global public sector finances, as well as public health and the wider economy. The final impact of the pandemic on public sector finances is still being assessed, and the estimates in the publication are subject to greater uncertainty than in previous years. This is discussed in more detail in the Preface.
- GERS is a National Statistics publication. It is assessed by the independent UK Statistics Authority to ensure that it meets the standards set out in the Code of Practice for Statistics.
- 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.
- 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 2016-17 to 2020-21

	£ million				
	2016-17	2017-18	2018-19	2019-20	2020-21
Scotland - Excluding North Sea	-16,413	-16,300	-15,088	-16,665	-36,889
Scotland - Including North Sea (geographical share)	-16,255	-15,159	-13,729	-15,821	-36,340
As % of GDP					
Scotland - Excluding North Sea	-10.8%	-10.3%	-9.2%	-10.0%	-23.8%
Scotland - Including North Sea (geographical share)	-10.1%	-8.9%	-7.7%	-8.8%	-22.4%
UK	-2.7%	-2.6%	-1.8%	-2.6%	-14.2%

- The deficit on the net fiscal balance as a share of GDP has increased for both Scotland and the UK in 2020-21, by 11.6 percentage points for the UK and 13.6 percentage points for Scotland. This reflects the impact of COVID-19, which has seen falls in revenue, increased expenditure, and falls in GDP, all of which contribute to the increase in the deficit.

- A number of factors explain the difference in the change in the net fiscal balance for Scotland and the UK. In part, it reflects the different structure of the Scottish and UK economies, where public spending plays a larger role in Scotland, rather than a markedly different impact of the pandemic on either revenue or expenditure. The difference is also in part due to falling activity in the North Sea in 2020-21, as well as falls in the oil price. This has seen North Sea GDP fall by 40% in nominal terms.
- Excluding North Sea revenue, the net fiscal balance for Scotland increased by 13.9 percentage points. Again, this is partly due to larger falls in nominal GDP in Scotland in 2020-21. As real GDP has fallen by less in Scotland over this period, this highlights the challenges of measuring the impact of COVID-19 on the economy and public finances, and revisions to both Scottish and UK GDP can be expected in future.
- 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 but is typically around 2 percentage points smaller as a share of GDP, although this gap has reduced as capital spending has fallen during the pandemic. In 2020-21, the deficit on the Scottish current budget balance excluding the North Sea increased by 14.7 percentage points.

Table S.2: Current Budget Balance: Scotland and UK 2016-17 to 2020-21

	£ million				
	2016-17	2017-18	2018-19	2019-20	2020-21
Scotland - Excluding North Sea	-12,937	-12,596	-12,086	-13,937	-35,693
Scotland - Including North Sea (geographical share)	-12,778	-11,455	-10,728	-13,092	-35,143
	As % of GDP				
Scotland - Excluding North Sea	-8.5%	-8.0%	-7.4%	-8.3%	-23.1%
Scotland - Including North Sea (geographical share)	-7.9%	-6.8%	-6.0%	-7.3%	-21.7%
UK	-0.7%	-0.4%	0.3%	-0.6%	-11.6%

- 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 2020-21 fell by 3.0 billion to £62.3 billion. This was a fall of 4.6% from 2019-20, the largest recorded fall, reflecting the impact of the pandemic on revenue, with particular falls in VAT, non-domestic rates, and fuel duties. Despite the pandemic, the support schemes that were in place for the labour market meant that income tax receipts did not fall, continuing to grow by 0.4%. Non-North Sea revenue for the UK fell by 3.9%.
- As a share of GDP, non-North Sea revenue increased to 40.2%, as nominal GDP fell faster than revenue.
- Scotland's non-North Sea revenue was 7.8% of total UK revenue in 2020-21, slightly lower than 2019-20. This fall was in part due to relatively weaker income tax

Summary

performance in Scotland in 2020-21, including weaker self-assessment receipts which relate to the previous tax year.

- Including an illustrative geographical share of the North Sea, total Scottish revenue was £62.8 billion, a fall of 5.0% from 2019-20. This is larger than the fall in non-North Sea revenue, reflecting the fact that Scottish North Sea revenue fell by £294 million in 2020-21, as prices and production fell during the pandemic.
- Including an illustrative geographical share of the North Sea, Scottish revenue was 7.9% of the UK total.

Table S.3: Total Revenue: 2016-17 to 2020-21					
	£ million				
	2016-17	2017-18	2018-19	2019-20	2020-21
Scotland – Excluding North Sea revenue	59,303	61,225	64,158	65,312	62,287
Scotland – Including North Sea revenue (geographical share)	59,461	62,367	65,516	66,157	62,837
	As % of UK total revenue				
Scotland – Excluding North Sea revenue	7.8%	7.8%	7.9%	7.9%	7.8%
Scotland – Including North Sea revenue (geographical share)	7.8%	8.0%	8.0%	8.0%	7.9%
	As % of GDP				
Scotland – Excluding North Sea revenue	38.9%	38.8%	39.1%	39.1%	40.2%
Scotland – Including North Sea revenue (geographical share)	36.9%	36.8%	36.7%	36.9%	38.7%
<i>UK – including all North Sea revenue</i>	<i>37.7%</i>	<i>37.6%</i>	<i>37.7%</i>	<i>37.3%</i>	<i>38.0%</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 £477 in 2020-21, 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 £382 lower than the UK average.

Table S.4: Revenue per person: Scotland and UK 2016-17 to 2020-21					
	£ per person				
	2016-17	2017-18	2018-19	2019-20	2020-21
Scotland					
Excluding North Sea revenue	10,962	11,279	11,784	11,953	11,395
Including North Sea revenue (geographical share)	10,992	11,490	12,034	12,108	11,496
UK					
Excluding North Sea revenue	11,557	11,823	12,254	12,388	11,872
Including North Sea revenue	11,557	11,842	12,272	12,398	11,878
Difference (Scotland minus UK)					
Excluding North Sea revenue	-595	-544	-470	-435	-477
Including North Sea revenue (geographical share)	-566	-353	-238	-290	-382

Scotland's spending

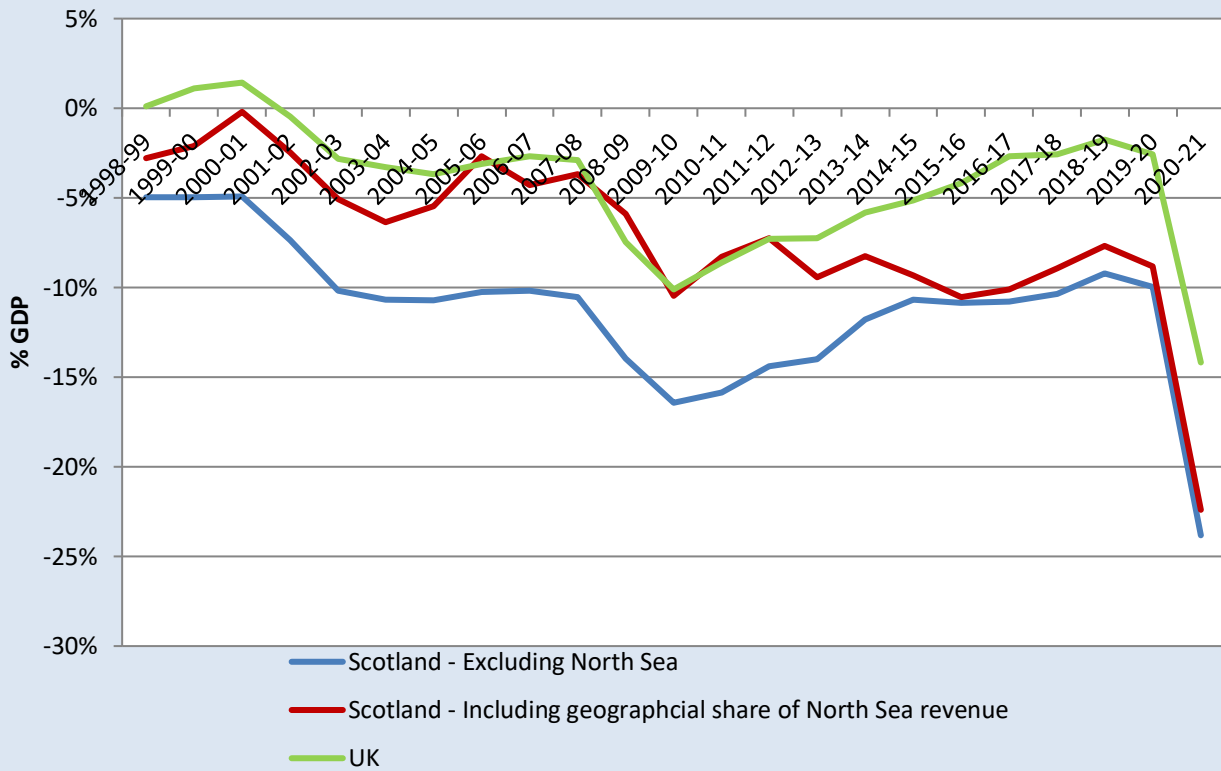
- Table S.5 below shows estimates of public spending for Scotland. Expenditure increased from £82.0 billion in 2019-20 to £99.2 billion in 2020-21, the largest recorded increase in public expenditure. The Scottish Government spent around £9 billion in 2020-21 in response to the coronavirus pandemic, and Scotland received at least £8.3 billion in reserved spending in response to the pandemic. In particular, public spending on health, social protection and support to businesses has increased. Despite this, the cost of servicing public sector debt has decreased, as interest rates have fallen. The increase in Scottish expenditure in 2020-21 was £17.2 billion, or 8.2% of the overall UK increase, similar to Scotland's share of the UK population.
- The increase in expenditure has reversed a trend in which spending as a share of GDP had been broadly falling since 2010-11, meaning public spending had been growing more slowly than nominal GDP. This trend is reversed in 2019-20, with spending increasing as a share of GDP. In 2020-21, as a result of the pandemic, spending as a share of GDP reached 61.1%, having never previously been above 50% of GDP when including an illustrative geographical share of the North Sea.

Table S.5: Total Public Sector Expenditure: 2016-17 to 2020-21					
	2016-17	2017-18	2018-19	2019-20	2020-21
Scotland - £ millions	75,716	77,525	79,246	81,977	99,176
Share of UK (%)	9.3%	9.3%	9.3%	9.3%	9.1%
	As % of GDP				
Scotland - excluding North Sea	49.7%	49.2%	48.3%	49.0%	64.0%
Scotland - including geographic share of North Sea	47.0%	45.7%	44.4%	45.7%	61.1%
<i>UK – including all North Sea</i>	40.4%	40.2%	39.5%	39.8%	52.1%

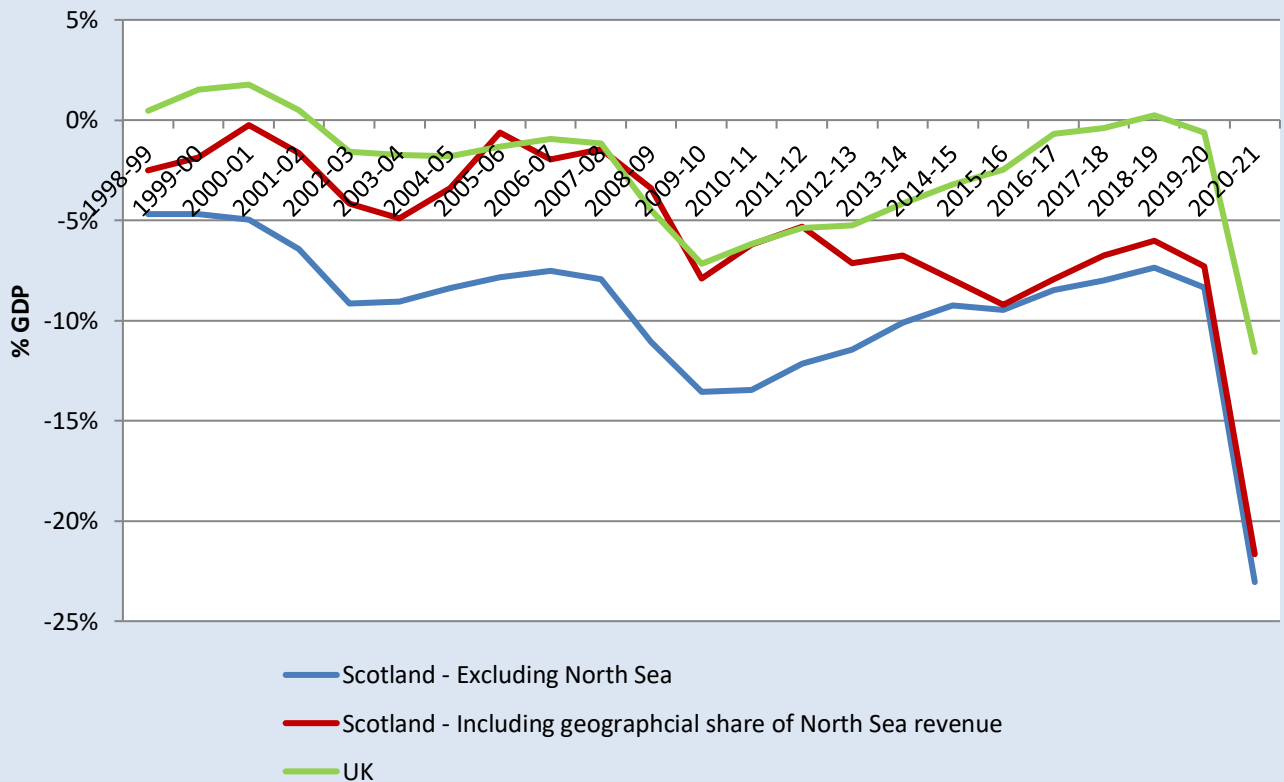
- Table S.6 below shows estimates of expenditure per person for Scotland and the UK. Expenditure for Scotland has been consistently higher per person than the UK average over the period.

Table S.6: Total Expenditure per Person: Scotland and UK 2016-17 to 2020-21					
	£ per person				
	2016-17	2017-18	2018-19	2019-20	2020-21
Scotland	13,996	14,282	14,555	15,003	18,144
UK	12,379	12,654	12,846	13,250	16,316
<i>Difference (Scotland minus UK)</i>	1,617	1,628	1,710	1,754	1,828

Net Fiscal Balance: Scotland & UK 1998-99 to 2020-21



Current Budget Balance: Scotland & UK 1998-99 to 2020-21



Box S.1: GERS Frequently Asked Questions

Below is a summary of some of the most frequently asked questions and their answers.

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.

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

A: GERS includes two categories of interest spending. The first is reserved UK debt interest, and Scotland is allocated a population share of this, amounting to £2.3 billion in 2020-21. The second is interest spending associated with public sector pension funds. These funds also generate interest income, and in 2020-21 Scotland is apportioned £1.5 billion of interest expenditure associated with public sector pensions, and £1.4 billion of interest income.

Q: How much spending occurs in Scotland?

A: As set out in the Preface, GERS shows spending for Scotland, rather than spending in Scotland. This shows that around 9.1% of UK spending is undertaken for Scotland, slightly higher than a population share. While direct estimates of spend in Scotland are not available, this is consistent with broader indicators of public sector activity in Scotland, which show that the public sector plays a larger role in Scotland than the UK as a whole. For example, around 10% of UK public sector employees are based in Scotland, with regional pay differences resulting in around 9.3% of the UK paybill spent in Scotland.

As GERS shows spending for Scotland, not all spending that occurs in Scotland is included in the GERS spending figures. For example, around £100 million of Scottish Government expenditure is not included GERS, as it is assumed to benefit residents outside of Scotland, such as spending on museums in Scotland which benefits visitors from the rest of the UK.

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

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, and other taxes such as those related to insurance activity, are related to expenditure, and are therefore estimated based on expenditure that occurs 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 2020-21, accounting adjustments added £7.4 billion to the estimate of Scottish public sector revenue and £8.4 billion to the estimate of Scottish public sector spending, with the difference being due to coronavirus expenditure included in the accounting adjustments. For more information on accounting adjustments and where they appear in the revenue tables, see Table A.9.

PREFACE

This report is the twenty-eighth 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.¹

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 spread across the world in 2020, has had profound impacts on public health, the economy, and the public finances. The UK and Scotland introduced strict public health measures at the end of March 2020, as well as announcing a range of support packages for households and businesses. These public health measures and support packages persisted in various forms across the entirety of 2020-21.

COVID-19 has seen an unprecedented increase in public sector borrowing, reflecting both lower tax revenue as economic activity fell and higher spending both on public health response and support packages. Public sector borrowing in the UK has reached the highest level since the Second World War.

The challenges caused by the pandemic have also led to changes to the way the devolved administrations were funded in 2020-21. Further information has been set out in Scottish Government budget documents:
<https://www.gov.scot/publications/2020-21-spring-budget-revision/>

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/august2020>

Some of the response to the pandemic for Scotland, such as additional funding for the NHS, is delivered by the Scottish Government, and is reflected in the increased Scottish Government spending in Table 3.8. 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 government, is Other UK Government Department spending. More detail on this reserved spending is set out in Box 3.1.

¹ <https://www.statisticsauthority.gov.uk/publication/statistics-on-government-expenditure-and-revenue-scotland/>

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 statistical changes have been made over the last year, many as a result of the coronavirus pandemic.

Coronavirus interventions

Since the start of the pandemic, a large number of schemes has been introduced by the UK Government, the Scottish Government and other devolved administrations, and the Bank of England to support the economy and individuals affected by the pandemic. While most of these interventions are reflected in public spending, some elements are not yet included. This includes the loan guarantee schemes issued by the UK Government. Further work is planned to incorporate these into the Public Sector Finances, and further detail is available at:

<https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/articles/developmentofpublicsectorfinancestatistics/june2021>

Train Operating Companies

In March 2020, Emergency Measures Arrangements were put in place with train operating companies across the UK, to allow them to continue operating during the coronavirus pandemic. These agreements resulted in the companies receiving increased financial support from the government, with the government taking on the majority of revenue risk associated with lower passenger numbers. They also involved government setting restrictions on the ability of train operating companies to change the size of their workforce. As a result of these changes, the ONS classified all UK train operating companies, including ScotRail and the Caledonian Sleeper, into the public sector on 31 July 2020, where they are considered to be public corporations. Further detail is available at:

<https://www.ons.gov.uk/news/statementsandletters/correspondenceonclassificationoftrainoperatingcompaniesnowrunningunderemergencymeasuresagreements>

Although this change will not be implemented within the public sector finances until September 2021, the additional funding provided to the train operating companies is captured in transport spending in GERS.

Pensions

As set out in the previous edition of GERS, following the move to the European System of Accounts 2010, the reporting of public sector pensions has changed from a net to a gross basis. This change is primarily presentational, and results in an increase in public sector interest expenditure. To improve the presentation of the impact, this spending is now shown separately in a number of the tables in Chapter 3. Spending by Local Government pension funds is included in Local Government spending in Table 3.8.

Methodological changes

High Speed 2

In previous editions of the Country and Regional Analysis publication, Scotland has been allocated a share of High Speed 2 capital spending based on the location of capital spend,

and a share of current spending based on the expected regional benefits of the project. This is consistent with the treatment of capital spending more generally, and as such these numbers have been used in GERS. As the complexity of the High Speed 2 has increased, the Department for Transport is no longer able to provide the location of capital spending associated with the project. As capital spend accounts for the majority of High Speed 2 expenditure, and as this expenditure is assumed not to be occurring in Scotland, in this edition of GERS none of the expenditure associated with High Speed 2 is allocated to Scotland.

Public sector interest expenditure

In previous editions of GERS, Scotland has been allocated a population share of all UK public sector interest expenditure. In this year's publication, this has been changed to separate out interest expenditure which is associated with public sector pension funds. These are local government funds which generate both interest revenue and expenditure, and where data are available for Scotland. This change brings the treatment of expenditure associated with these funds into line with the treatment of their revenue, which was already allocated to Scotland using Scottish data.

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.²

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.

² [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.³

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 Analyses⁴ and the supporting Country and Regional Analysis (CRA).⁵

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).⁶

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 2020-21.

The GERS website can be accessed via:

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

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 2020-21 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/financialyearending2020>

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 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.

³ 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.

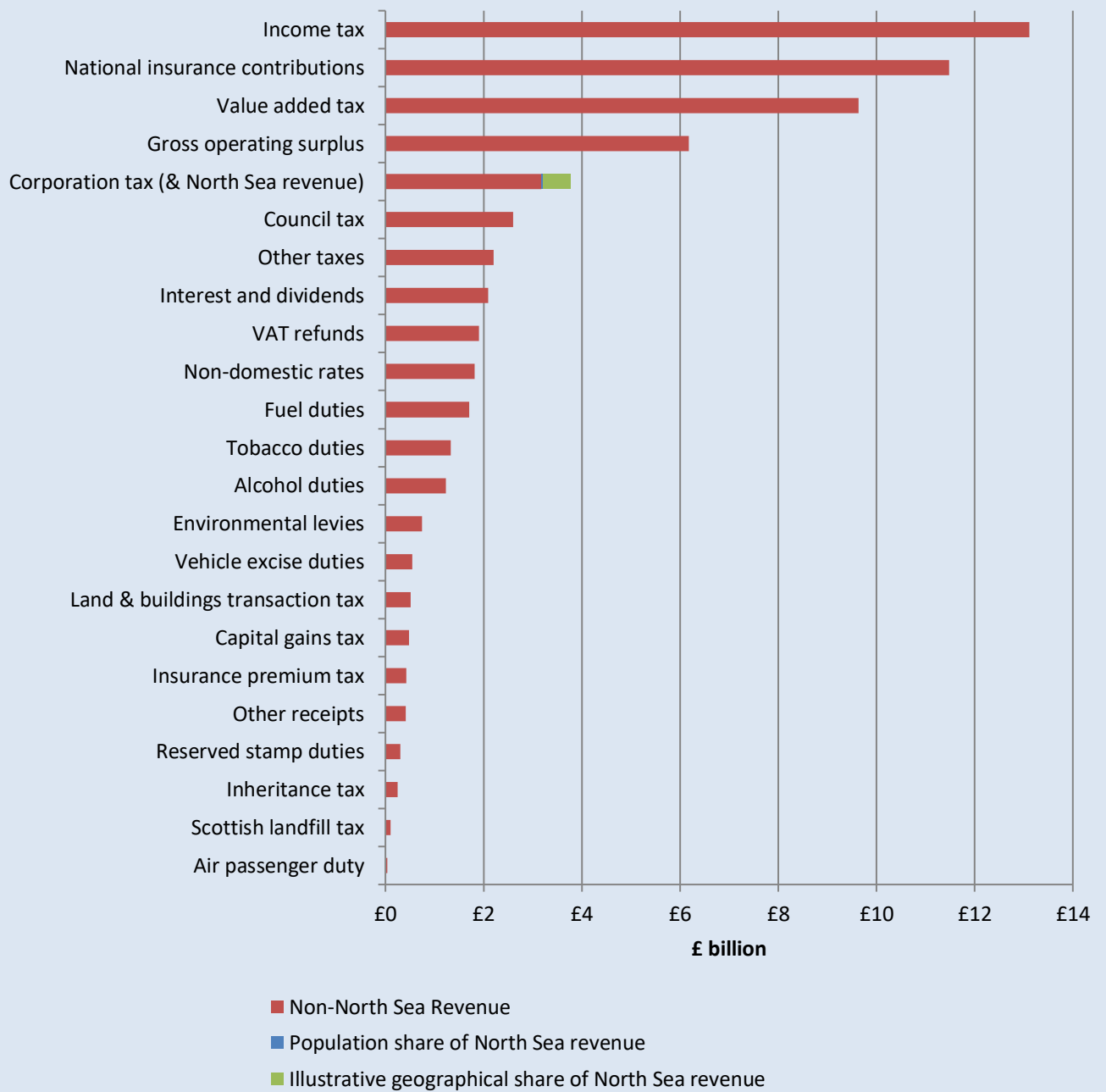
⁴ <https://www.gov.uk/government/collections/public-expenditure-statistical-analyses-pesa>

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

⁶ [https://www.gov.scot/collections/economy-statistics/#gdpquarterlynationalaccounts.scotland\(qnas\)](https://www.gov.scot/collections/economy-statistics/#gdpquarterlynationalaccounts.scotland(qnas))

CHAPTER 1: PUBLIC SECTOR REVENUE

Total Public Sector Revenue: Scotland 2020-21



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.⁷

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. Note that the income tax figures in this chapter cover all income tax, whilst those in Chapter 4 cover only non-savings and non-dividend income tax.

For taxes where there is no direct measure of Scottish revenue, GERS uses a set of data sources and methodologies developed over a number of years following consultation with, and feedback from, users. In some cases, a variety of methodologies could be applied, each leading to different estimates of public sector revenue in Scotland. Table A.5 in Annex A provides analysis of the confidence intervals around revenue estimates based on survey data.

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

Estimated Revenue 2020-21

Table 1.1 reports estimated public sector revenue in Scotland and the preliminary outturn data for the UK in 2020-21. 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. The three largest taxes, income tax, national insurance contributions, and value added tax continue to account for around two thirds of total non-North Sea revenue, despite VAT falling during the pandemic. The support provided to the labour market during the pandemic has meant that income tax and national insurance contributions have been affected to a lesser degree, with income tax continuing to grow.

Overall, Scotland's share of UK revenue in 2020-21 was 7.9%. This represents a fall from 8.0% in 2019-20, in part due to a weaker performance in income tax. This reflects the latest 2020-21 Pay As You Earn (PAYE) income tax data from HMRC's Real Time Information

⁷ [https://www.gov.scot/collections/economy-statistics/#governmentexpenditureandrevenuescotland\(gers\)](https://www.gov.scot/collections/economy-statistics/#governmentexpenditureandrevenuescotland(gers))

1 Public Sector Revenue

system, and weaker self-assessment receipts received in 2020-21, although these relate to the previous tax year.

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 2020-21				
	Scotland		UK	Scotland as % of UK
	£ million	% of total non-North Sea taxes	£ million	
Income tax	13,117	24.5%	198,131	6.6%
National insurance contributions	11,476	21.4%	144,217	8.0%
Value added tax	9,635	18.0%	118,075	8.2%
Corporation tax (excluding North Sea)	3,174	5.9%	50,915	6.2%
Fuel duties	1,708	3.2%	20,909	8.2%
Non-domestic rates	1,816	3.4%	21,161	8.6%
Council tax	2,600	4.9%	38,454	6.8%
VAT refunds	1,907	3.6%	20,191	9.4%
Capital gains tax	484	0.9%	10,611	4.6%
Inheritance tax	247	0.5%	5,350	4.6%
Reserved stamp duties	301	0.6%	14,636	2.1%
Scottish land & buildings transaction tax	515	1.0%	515	100.0%
Scottish landfill tax	106	0.2%	106	100.0%
Air passenger duty	34	0.1%	326	10.6%
Tobacco duties	1,333	2.5%	9,786	13.6%
Alcohol duties	1,231	2.3%	12,447	9.9%
Insurance premium tax	422	0.8%	6,381	6.6%
Vehicle excise duties	545	1.0%	6,964	7.8%
Environmental levies	747	1.4%	6,296	11.9%
Other taxes ¹	2,204	4.1%	26,140	8.4%
Total Non-North Sea taxes	53,603	100%	711,611	7.5%
North Sea taxes²				
Population share	34		414	8.2%
Geographical share	550		414	132.8%
Other revenue				
Interest and dividends	2,095		25,142	8.3%
Gross operating surplus	6,176		56,361	11.0%
Other receipts	414		3,272	12.6%
Total revenue				
Excluding North Sea	62,287		796,386	7.8%
Including population share of the North Sea	62,321		796,800	7.8%
Including illustrative geographical share of the North Sea	62,837		796,800	7.9%
<i>of which: revenue accounting adjustments</i>	<i>7,140</i>		<i>72,387</i>	<i>9.9%</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 2020-21. 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 £62.3 billion in 2020-21, a fall of 4.6%. This is equivalent to 7.8% of UK total non-North Sea revenue which is 0.3 percentage points lower than Scotland's share of the UK population.⁸ 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 (4.6%), and inheritance tax (4.6%). This reflects the fact that properties and assets in Scotland tend to have lower values than the UK average.⁹ Scotland's share of income tax (6.6%) 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.

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 11.0% 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,¹⁰ and also the fact that Scotland has higher consumption of spirits than the rest of the UK.¹¹ 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 2016-17, at around 7.8%.

⁸ Scotland's share of the UK population in 2020-21 was 8.1%. Excluding the North Sea, Scotland's share of UK GDP was 7.4% (National Records of Scotland, Quarterly National Accounts Scotland and UK Economic Accounts).

⁹ <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/totalwealthintheuk>

¹⁰ <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/bulletins/adultsmokingintheuk>

¹¹ <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				
	2016-17	2017-18	2018-19	2019-20	2020-21
Income Tax	6.7%	6.6%	6.6%	6.8%	6.6%
Corporation tax (excl North Sea)	6.6%	6.2%	6.2%	6.2%	6.2%
National insurance contributions	8.0%	8.0%	8.0%	7.9%	8.0%
Value added tax	7.9%	8.4%	8.4%	8.2%	8.2%
Council tax and non-domestic rates	8.0%	8.0%	7.8%	7.7%	7.4%
All other revenue	8.8%	8.7%	9.0%	9.0%	9.1%
Total current non-North Sea revenue	7.8%	7.8%	7.9%	7.9%	7.8%

Estimated Revenue: Scotland and the UK, 2016-17 to 2020-21

Table 1.4 shows estimated revenue in Scotland and the UK between 2016-17 and 2020-21. Non-North Sea revenue in Scotland is estimated to have grown by 5.0% between 2016-17 and 2020-21 in nominal terms, similar to the UK as a whole (4.8%). This weak growth reflects the fall in revenue in 2020-21 as a result of the pandemic.

Table 1.3 shows estimates of revenue per person for Scotland and the UK between 2016-17 and 2020-21. Excluding North Sea revenue, revenue per person in Scotland is lower than in the UK by £477 in 2020-21. Including an illustrative geographical share of North Sea revenue the difference is £382.

Table 1.3: Revenue Per Person: Scotland and UK 2016-17 to 2020-21

	£ per person				
	2016-17	2017-18	2018-19	2019-20	2020-21
Scotland					
Excluding North Sea revenue	10,962	11,279	11,784	11,953	11,395
Including North Sea revenue (population share)	10,963	11,299	11,802	11,963	11,402
Including North Sea revenue (geographical share)	10,992	11,490	12,034	12,108	11,496
UK					
Excluding North Sea revenue	11,557	11,823	12,254	12,388	11,872
Including North Sea revenue	11,557	11,842	12,272	12,398	11,878
Difference (Scotland minus UK)					
Excluding North Sea revenue	-595	-544	-470	-435	-477
Including North Sea revenue (population share)	-595	-544	-470	-435	-477
Including North Sea revenue (geographical share)	-566	-353	-238	-290	-382

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 2019-20 were published on 21 May 2021.¹²

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 higher 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 2016-17 to 2020-21

	£ million				
	2016-17	2017-18	2018-19	2019-20	2020-21
Non-North Sea taxes					
GERS	50,819	52,844	55,581	56,336	53,603
ONS	51,419	52,481	55,444	56,382	n/a
Difference	-600	363	137	-46	n/a
Other non-North Sea receipts					
GERS	8,484	8,381	8,577	8,977	8,685
ONS	9,106	9,020	9,356	9,786	n/a
Difference	-622	-639	-779	-809	n/a
Geographical share of North Sea revenues					
GERS	159	1,142	1,358	844	550
ONS	109	1,141	1,340	863	n/a
Difference	50	1	18	-19	n/a

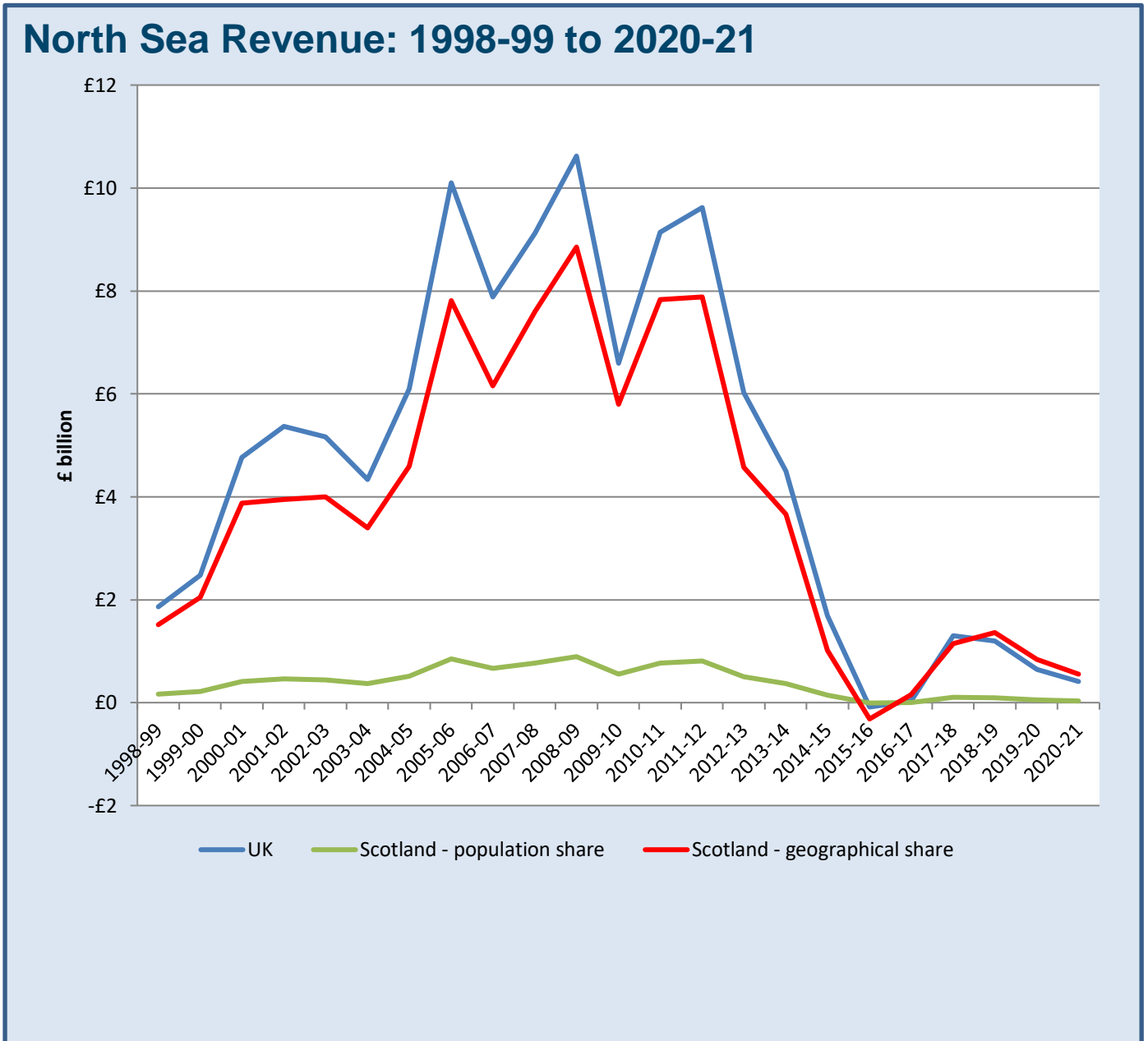
¹² <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/articles/countryandregionalpublicsectorfinances/financialyearending2020>

1 Public Sector Revenue

Table 1.4: Revenue: Scotland and UK 2016-17 to 2020-21

	£ million									
	Scotland					UK				
	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
Income tax	11,808	11,970	12,768	13,069	13,117	177,247	180,593	192,366	193,430	198,131
National insurance contributions	10,014	10,470	10,939	11,502	11,476	125,852	131,627	137,534	144,708	144,217
Value added tax	9,655	10,609	11,177	10,956	9,635	122,035	126,374	133,589	133,852	118,075
Corporation tax (excluding North Sea)	3,526	3,336	3,430	3,099	3,174	53,184	53,978	55,065	49,708	50,915
Fuel duties	2,274	2,299	2,290	2,248	1,708	27,937	27,878	27,993	27,572	20,909
Non-domestic rates	2,731	2,762	2,847	2,761	1,816	29,418	30,444	31,531	31,744	21,161
Council tax	2,077	2,257	2,349	2,456	2,600	30,361	32,131	34,820	36,346	38,454
VAT refunds	1,587	1,572	1,666	1,794	1,907	17,448	17,272	18,214	18,879	20,191
Capital gains tax	363	311	444	448	484	8,380	7,793	9,190	9,826	10,611
Inheritance tax	288	281	252	238	247	4,897	5,277	5,450	5,150	5,350
UK stamp duties	336	297	293	296	301	15,762	17,212	16,699	16,972	14,636
Scottish land & buildings transaction tax	484	557	554	597	515	484	557	554	597	515
Scottish landfill tax	149	148	149	119	106	149	148	149	119	106
Air passenger duty	256	274	290	273	34	3,211	3,360	3,632	3,655	326
Tobacco duties	1,070	1,138	1,253	1,316	1,333	8,681	8,766	9,152	9,693	9,786
Alcohol duties	1,076	1,122	1,175	1,134	1,231	11,117	11,585	12,097	11,535	12,447
Insurance premium tax	315	389	417	429	422	4,907	5,898	6,306	6,480	6,381
Vehicle excise duties	468	498	520	548	545	5,997	6,378	6,667	7,000	6,964
Environmental levies	577	674	752	746	747	5,067	5,850	6,487	6,397	6,296
Other taxes	1,764	1,880	2,018	2,307	2,204	21,897	23,923	24,509	27,588	26,140
Total Non-North Sea taxes	50,819	52,844	55,581	56,336	53,603	674,031	697,044	732,004	741,251	711,611
North Sea taxes										
Population share of North Sea revenue	3	106	98	53	34	36	1,297	1,196	643	414
Illustrative geographical share of North Sea revenue	159	1,142	1,358	844	550	36	1,297	1,196	643	414
Other receipts										
Interest and dividends	2,019	2,022	2,106	2,204	2,095	23,018	23,810	25,040	26,687	25,142
Gross operating surplus	6,028	5,930	6,028	6,336	6,176	59,278	57,731	54,592	56,911	56,361
Other receipts	437	428	443	437	414	3,487	3,365	3,557	3,509	3,272
Total revenue (excl North Sea revenue)	59,303	61,225	64,158	65,312	62,287	759,814	781,950	815,193	828,358	796,386
Total revenue (incl pop share North Sea revenue)	59,306	61,331	64,256	65,365	62,321	759,850	783,247	816,389	829,001	796,800
Total revenue (incl geog share North Sea revenue)	59,461	62,367	65,516	66,157	62,837	759,850	783,247	816,389	829,001	796,800
<i>Of which, revenue accounting adjustment</i>	6,203	6,364	6,607	6,898	7,140	62,952	64,778	67,519	69,775	72,387

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 2016-17. UK North Sea revenue was £36 million in 2016-17, primarily due to licence fees, as refunds of petroleum revenue tax exceeded corporation tax receipts. Receipts recovered in 2017-18, but have fallen again since, to be £414 million in 2020-21.

Table 2.1: Composition of North Sea Revenue: UK 2016-17 to 2020-21

	£ million				
	2016-17	2017-18	2018-19	2019-20	2020-21
Licence fees	67	72	73	68	72
North Sea corporation tax	622	1,793	1,867	984	592
Petroleum revenue tax	-653	-568	-744	-409	-250
Total	36	1,297	1,196	643	414

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 2020-21, the oil price averaged \$44.35 per barrel. This represents an 27% decrease from the previous year average of \$61.18 per barrel. Prices in 2020-21 were volatile, with the daily price falling to \$9.1 in April 2020. This reflected falls in demand for oil related to Covid-19; however, as economies have recovered from the initial impact of the pandemic, prices have recovered, reaching a peak of \$69.9 in March 2021.¹³

Overall North Sea production fell 6% in 2020-21, with crude oil and natural gas liquid (NGL) production falling by 8.4% and annual gas production by 3.6%, as restrictions and maintenance activities curtailed output on the UK's Continental Shelf.^{14,15}

In 2020 total expenditure on the UK Continental Shelf decreased by 22% in real terms compared to 2019, to stand at £11.59 billion. The decrease was primarily due to a significant decrease in exploration and appraisal (E&A) and capital expenditure, which were down 60% and 32% respectively in real terms. Decommissioning expenditure and operating costs also decreased by 24% and 11% respectively in real terms.¹⁶

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%.

¹³ [Europe Brent Spot Price FOB \(Dollars per Barrel\) \(eia.gov\)](https://www.eia.gov)

¹⁴ [Energy Trends: June 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

¹⁵ [Energy Trends: UK gas - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

¹⁶ [oga-medium-term-projections-mar-2021.pdf \(ogauthority.co.uk\)](https://www.ogauthority.co.uk)

2 North Sea Revenue

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.

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				
	2016-17	2017-18	2018-19	2019-20	2020-21
Total North Sea revenue	36	1,297	1,196	643	414
Scotland's population share	3	106	98	53	34
Scotland's share of North Sea revenue (%)	8.2%	8.2%	8.2%	8.2%	8.2%

An Illustrative Geographical Share

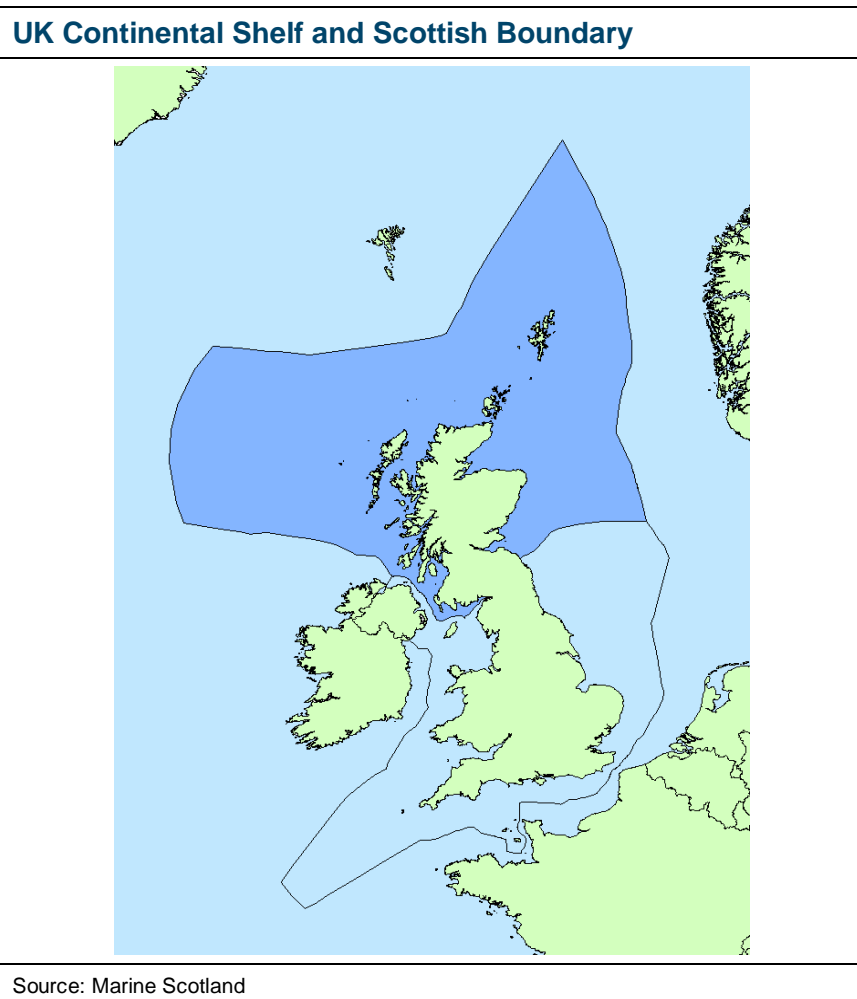
An alternative approach is to apportion a geographical share of North Sea revenue to Scotland. In order to estimate this share, GERS uses the share reported in the ONS Country and Regional Public Sector Finances publication. The estimate is based on the median line principle as employed in 1999 to determine 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 2018-19, Scotland's illustrative geographical share of North Sea revenues is estimated to be above 100%. This reflects the fact that the Scotland's share of petroleum revenue tax, which is currently negative, is lower than its share of corporation tax.

Table 2.3: Geographical Share of North Sea Revenue: Scotland 2016-17 to 2020-21

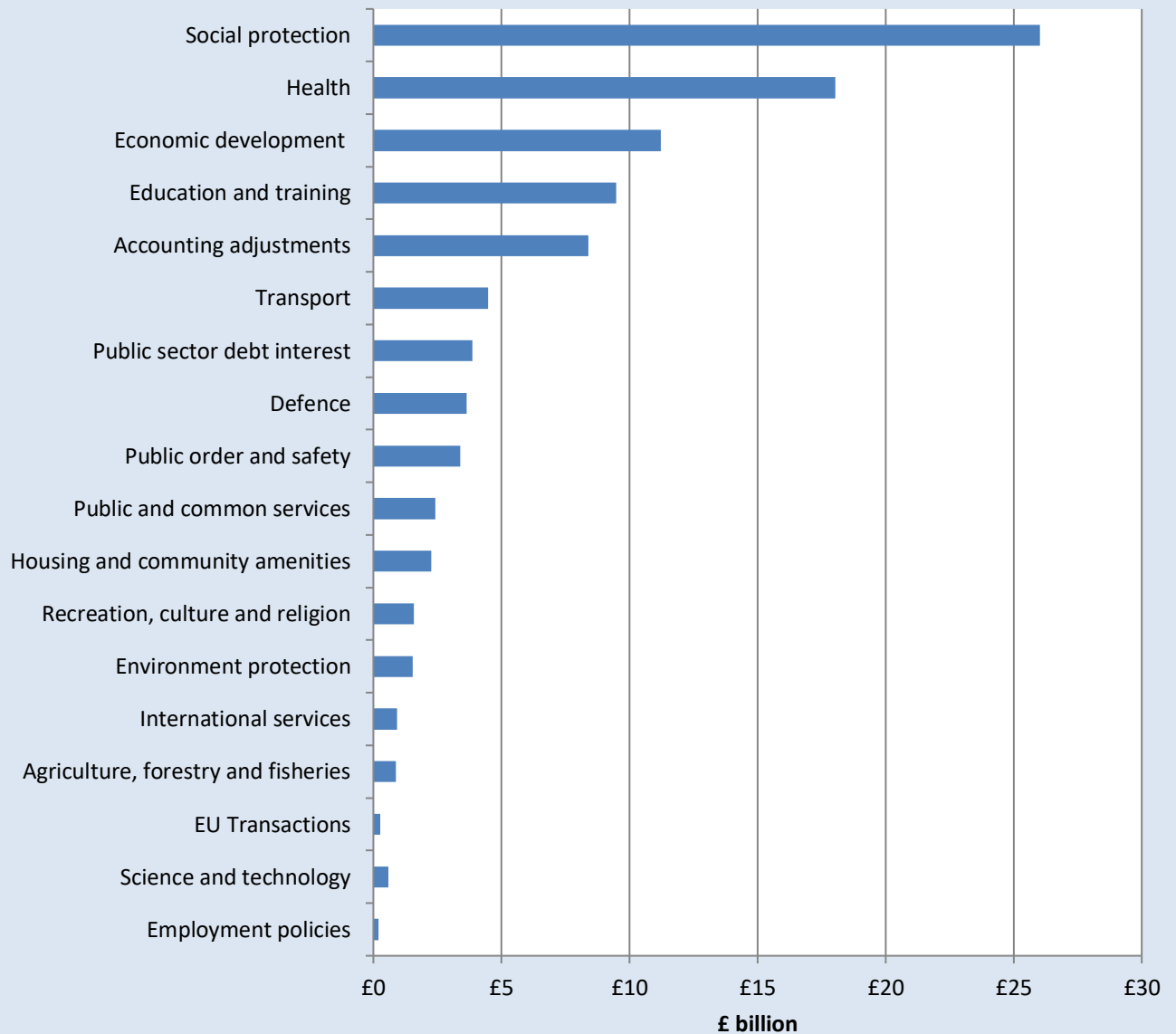
	£ million				
	2016-17	2017-18	2018-19	2019-20	2020-21
UK revenue	36	1,297	1,196	643	414
Licence fees	67	72	73	68	72
North Sea corporation tax	622	1,793	1,867	984	592
Petroleum revenue tax	-653	-568	-744	-409	-250
Scottish geographical revenue	159	1,142	1,358	844	550
Licence fees	63	64	64	70	75
North Sea corporation tax	592	1,585	1,631	1,010	612
Petroleum revenue tax	-496	-507	-337	-236	-137
Scottish share of UK	440.7%	88.0%	113.6%	131.3%	132.8%
Licence fees	94.7%	88.4%	88.0%	103.4%	103.5%
North Sea corporation tax	95.1%	88.4%	87.4%	102.7%	103.4%
Petroleum revenue tax	76.0%	89.2%	45.3%	57.8%	54.7%

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 2020-21



3

PUBLIC SECTOR EXPENDITURE

Introduction

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

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

Spending by the Scottish Government is provided directly by the Scottish Government Directorate for Financial Management. Scottish Local Government spending in all years is taken from HM Treasury's PESA publication. Spending by other UK government departments spending is based on PESA for 2020-21 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\(gers\)](https://www.gov.scot/collections/economy-statistics/#governmentexpenditureandrevenuescotland(gers))

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.

Public Sector Expenditure

Total public sector expenditure for Scotland in 2020-21 is estimated to be £99.2 billion, an increase of 21.0% from 2019-20, compared to growth of 23.5% for the UK as a whole. This large increase in spending, the largest increase on record, reflects the impact of the coronavirus pandemic, which has led to large increases in spending, particularly on health, social security, and enterprise and economic development. This final category includes support paid to businesses and workers such as the Coronavirus Job Retention Scheme. Further information on reserved spending in response to the pandemic is set out in Box 3.1. Overall, the increase in spending in Scotland was £17.2 billion, or 8.2% of the increase for the UK, broadly in line with Scotland's population share. This is shown by spending category in Table 3.1.

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

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

3 Public Sector Expenditure

	Scotland	
	£ million	% of total expenditure
General public services		
Public and common services	2,410	2.4%
International services	924	0.9%
Reserved public sector debt interest	2,347	2.4%
Local government pension fund interest expenditure	1,514	1.5%
Defence	3,637	3.7%
Public order and safety	3,392	3.4%
Economic affairs		
Enterprise and economic development	11,219	11.3%
Science and technology	589	0.6%
Employment policies	208	0.2%
Agriculture, forestry and fisheries	881	0.9%
Transport	4,485	4.5%
Environment protection	1,532	1.5%
Housing and community amenities	2,259	2.3%
Health	18,026	18.2%
Recreation, culture and religion	1,571	1.6%
Education and training	9,485	9.6%
Social protection	26,017	26.2%
EU transactions	278	0.3%
Accounting adjustments	8,403	8.5%
Total Expenditure	99,176	100%

Table 3.2 below shows growth in current and capital spend in Scotland by organization in 2020-21, compared to the UK. Spending increased more slowly in Scotland than the UK as a whole in 2020-21. This is primarily due to the fact that there was a higher initial level of spend in Scotland before the pandemic, so the additional spending associated with the pandemic was smaller in percentage terms.

Box 3.1: Additional reserved spending associated with the coronavirus pandemic

The coronavirus pandemic has seen an unprecedented increase in public spending, spread across a range of areas. In the devolved sphere, there has been an increase in health expenditure in response to treating COVID-19 patients and delivering the vaccination programme. There have also been a range of other measures, particularly business support grants paid via local authorities. The Scottish Government spent around £9 billion in 2020-21 in response to the health, economic, and social challenges caused by the coronavirus pandemic.¹⁹ Whilst this is captured in the Scottish Government spending figures in GERS, it is not separately identifiable from non-pandemic related spend.

In the reserved sphere, there have been a number of interventions, the most significant of which have been the Coronavirus Job Retention Scheme, the Self-Employment Income Support Scheme, and changes to the value and eligibility criteria for Universal Credit. These schemes have all aimed to support household incomes and businesses during the pandemic.

- **Coronavirus Job Retention Scheme:** commonly referred to as the furlough scheme, this sees employees who are unable to work their usual hours continue to receive at least 80% of their usual earnings, up to £2,500 per month. The amount contributed by businesses has varied over the course of the year, depending on the level of public health restrictions in place.
- **Self-Employment Income Support Scheme:** this similarly aims to support self-employment incomes, again up to £2,500, via the payment of grants. The eligibility criteria require self-employed workers to have filed tax returns in 2019-20, and must have had earnings less than £50,000.
- **Welfare spending:** This primarily relates to Universal Credit. The standard allowance of Universal Credit and the basic element of Working Tax Credit has been increased by £20 a week during the pandemic. Eligibility criteria were also changed, which allowed self-employed to claim Universal Credit more easily.
- **Health spending:** While most elements of the health pandemic have been devolved, parts of the health response, primarily elements of the testing programme and bodies such as the Joint Biosecurity Centre, have been delivered on a UK-wide basis.

The table below summarises the costs for Scotland associated with the schemes above in this edition of GERS. This is not an exhaustive list of reserved coronavirus interventions, and some interventions include, such as the loan guarantee schemes, are not yet included in the UK Public Sector Finances or GERS. As such, this initial estimate of reserved spending will be reviewed in future publications, and is likely to increase as more schemes are included in the UK Public Sector Finances.

Major reserved coronavirus spending for Scotland (2020-21, £ millions)

	Scotland	UK	Scottish share
Coronavirus Job Retention Scheme ¹	4,728	58,029	8.1%
Self-employment Income Support Scheme ¹	1,191	19,716	6.0%
Welfare spending ²	1,423	17,142	8.3%
Health Spending ³	945	11,593	8.1%
Total	8,287	106,479	7.8%

¹⁹ <https://www.parliament.scot/chamber-and-committees/what-was-said-and-official-reports/what-was-said-in-parliament/meeting-of-parliament-17-06-2021?meeting=13239&job=120032>

3 Public Sector Expenditure

Sources: ¹ HMRC Tax Receipts and National Insurance Contributions for the UK, Scottish Government calculations

² OBR Economic and Fiscal Outlook March 2021, Scottish Government calculations

³ National Audit Office Coronavirus cost tracker, Scottish Government calculations

Table 3.2: Expenditure growth: 2019-20 to 2020-21 (£ million)				
	Scotland			UK growth
	2019-20	2020-21	Growth	
Current expenditure	73,175	89,372	22.1%	24.7%
Scottish Government	28,348	36,398	28.4%	28.4%
Local Government	13,373	13,633	1.9%	19.7%
Public Corporations	-	-	-	-
Other UK Government bodies	31,454	39,341	25.1%	27.1%
Capital expenditure	8,802	9,804	11.4%	13.4%
Scottish Government	3,031	3,983	31.4%	31.4%
Local Government	2,368	1,964	-17.1%	-8.2%
Public Corporations	1,438	1,162	-19.2%	3.3%
Other UK Government bodies	1,966	2,696	37.1%	22.7%
Total expenditure	81,977	99,176	21.0%	23.5%
Scottish Government	31,379	40,381	28.7%	28.7%
Local Government	15,741	15,597	-0.9%	16.5%
Public Corporations	1,438	1,162	-19.2%	3.3%
Other UK Government bodies	33,420	42,037	25.8%	26.7%

Notes:

1. Public corporation line for Scotland shows spending by Scottish public corporations only. UK figure shows spending by all public corporations

2. 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. Consistent with the CRA, interest expenditure by public sector pension funds is shown as spending by HM Treasury. This makes Scottish and UK local government spending comparable in this table, but introduces a slight discrepancy between Scottish and Local Government spending above and that shown in Table 3.8.

4. 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. With the increased current expenditure in response to the pandemic, the capital spending share fell in 2020-21 to 9.9%, the lowest level since 2001-02.

Table 3.3: Current and Capital Expenditure (% of Total Expenditure): Scotland					
	per cent				
	2016-17	2017-18	2018-19	2019-20	2020-21
Current	88.3%	88.3%	89.0%	89.3%	90.1%
Capital	11.7%	11.7%	11.0%	10.7%	9.9%

Table 3.4 below shows estimates of Scottish and UK public sector expenditure as a share of GDP. This provides an illustration of the relative size of public spending between countries and over time. It is not an estimate of the contribution of public spending to the economy as much of this spending consists of transfers from government to individuals and businesses. Excluding North Sea GDP, public sector spending as a share of GDP has increased to 64.0% in 2020-21, the highest ever level, as public spending increased and GDP fell during the pandemic.

Although overall spending in Scotland grew more slowly than for the UK in 2020-21, spending as a share of GDP increased faster. This reflects weaker nominal GDP growth in Scotland in 2020-21.

Table 3.4: Total Managed Expenditure as a Share of GDP					
	per cent of GDP				
	2016-17	2017-18	2018-19	2019-20	2020-21
Scottish TME as a Share of GDP:					
Excluding North Sea GDP	49.7%	49.2%	48.3%	49.0%	64.0%
Including population share of North Sea GDP	49.4%	48.7%	47.9%	48.6%	63.7%
Including geographical share of North Sea GDP	47.0%	45.7%	44.4%	45.7%	61.1%
UK TME as a share of GDP:					
100% of North Sea GDP	40.4%	40.2%	39.5%	39.8%	52.1%

Table 3.5 shows total public sector expenditure per person for Scotland and the UK. The relative gap between Scottish and UK spending per person fell in 2020-21, with spend per person 11.2% points higher. This fall reflects the fact that spending in response to the coronavirus pandemic has been broadly equally spread across the UK, although the gap increased slightly in cash terms. 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.

Table 3.5: Total Expenditure Per Person					
	£ per person				
	2016-17	2017-18	2018-19	2019-20	2020-21
Scotland	13,996	14,282	14,555	15,003	18,144
UK	12,379	12,654	12,846	13,250	16,316
<i>Difference (Scotland minus UK)</i>	<i>1,617</i>	<i>1,628</i>	<i>1,710</i>	<i>1,754</i>	<i>1,828</i>
<i>Difference between Scottish and UK</i>	<i>13.1%</i>	<i>12.9%</i>	<i>13.3%</i>	<i>13.2%</i>	<i>11.2%</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 universal credit disability and incapacity related benefits, and housing benefit. Tax credits and child benefit are part of HMRC spending. 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, as set out in Chapter 4.

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)					
	2016-17	2017-18	2018-19	2019-20	2020-21
Social security spending in Scotland					
State pension	8,064	8,243	8,146	8,321	8,517
Housing benefit	1,733	1,671	1,588	1,442	1,380
Universal credit	163	323	787	1,504	3,170
Other DWP social security	5,677	5,750	6,018	5,804	2,593
HMRC child benefit and tax credits	2,761	2,686	2,422	2,382	1,864
Scottish Government social security	418	419	745	826	3,897
Social security spending in Scotland	18,817	19,092	19,706	20,281	21,420
Share of benefit spending outside UK and corporate spend	556	586	376	381	368
Other social protection					
Net public sector pensions	895	830	1033	355	221
Social care for the elderly	2,216	2,178	2,290	2,601	2,706
Other	598	596	802	540	1,301
Total social protection	23,082	23,281	24,206	24,158	26,017

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

Table 3.6: Total Expenditure: Scotland 2016-17 to 2020-21

	£ million														
	Current					Capital					Total				
	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
General public services															
Public and common services	1,251	1,298	1,353	1,900	2,027	246	350	265	248	383	1,498	1,648	1,617	2,147	2,410
International services	735	762	744	822	747	158	103	236	144	177	893	865	980	966	924
Public sector interest expenditure	5,147	5,605	5,181	5,162	3,861	0	0	0	0	0	5,147	5,605	5,181	5,162	3,861
Defence	2,296	2,332	2,408	2,562	2,629	762	844	885	886	1,007	3,057	3,176	3,293	3,448	3,637
Public order and safety	2,660	2,716	2,845	3,013	3,174	78	130	140	158	218	2,738	2,845	2,985	3,171	3,392
Economic affairs															
Enterprise and economic development	906	959	1,110	1,296	9,061	342	366	500	486	2,157	1,248	1,325	1,610	1,782	11,219
Science and technology	146	181	186	182	204	349	304	333	348	386	494	485	519	529	589
Employment policies	212	228	242	177	202	5	8	4	0	6	217	237	246	177	208
Agriculture, forestry and fisheries	816	790	813	810	788	116	122	112	94	93	932	911	925	904	881
Transport	1,640	1,675	1,703	1,846	2,453	1,748	1,890	1,723	1,879	2,033	3,388	3,565	3,426	3,725	4,485
Environment protection	873	891	905	904	935	336	330	354	524	597	1,209	1,221	1,259	1,428	1,532
Housing and community amenities	112	159	213	137	363	1,476	1,689	2,012	2,184	1,896	1,588	1,848	2,225	2,321	2,259
Health	12,036	12,328	12,596	13,301	17,371	626	475	486	466	656	12,662	12,803	13,082	13,767	18,026
Recreation, culture and religion	1,092	1,062	1,169	1,123	1,378	310	255	235	238	193	1,403	1,317	1,404	1,361	1,571
Education and training	7,299	7,499	7,883	8,388	8,389	972	995	765	870	1,096	8,272	8,494	8,648	9,257	9,485
Social protection	23,012	23,223	24,120	24,047	25,912	71	58	86	111	105	23,082	23,281	24,206	24,158	26,017
EU Transactions	156	207	269	199	278	0	0	0	0	0	156	207	269	199	278
Accounting adjustments	6,472	6,574	6,768	7,308	9,603	1,261	1,119	602	168	-1,199	7,733	7,693	7,370	7,475	8,403
Total	66,860	68,487	70,508	73,175	89,372	8,856	9,038	8,738	8,802	9,804	75,716	77,525	79,246	81,977	99,176

3 Public Sector Expenditure

Table 3.7: Total Expenditure: UK 2016-17 to 2020-21

	£ million														
	Current					Capital					Total				
	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
General public services															
Public and common services	9,660	10,098	10,220	11,809	13,980	2,827	2,381	2,576	2,657	3,545	12,487	12,479	12,796	14,466	17,524
International services	8,889	9,176	8,998	9,954	9,124	1,918	1,255	2,879	1,759	2,167	10,807	10,431	11,877	11,713	11,291
Public sector interest expenditure	55,185	60,525	55,092	54,664	41,469	0	0	0	0	0	55,185	60,525	55,092	54,664	41,469
Defence	27,881	28,399	29,422	31,358	32,240	9,250	10,271	10,816	10,887	12,317	37,131	38,670	40,238	42,245	44,557
Public order and safety	28,954	29,437	30,438	32,253	35,621	1,117	2,032	1,975	2,272	3,012	30,071	31,469	32,413	34,525	38,633
Economic affairs															
Enterprise and economic development	6,585	7,300	9,382	13,894	106,122	1,671	2,687	3,777	3,312	21,164	8,256	9,987	13,159	17,206	127,285
Science and technology	978	1,126	1,011	1,020	1,147	3,510	3,920	5,422	5,787	6,433	4,488	5,046	6,433	6,807	7,580
Employment policies	2,347	2,512	2,632	2,253	2,542	60	105	47	2	76	2,407	2,617	2,679	2,255	2,618
Agriculture, forestry and fisheries	4,770	4,783	5,344	5,405	5,859	433	394	390	398	497	5,203	5,177	5,734	5,803	6,356
Transport	9,868	9,967	11,963	13,030	22,108	18,953	20,365	20,713	21,566	23,026	28,821	30,332	32,676	34,596	45,134
Environment protection	7,264	7,260	7,365	7,909	8,198	3,782	4,529	3,685	3,912	4,381	11,046	11,789	11,050	11,821	12,579
Housing and community amenities	2,943	2,979	3,086	3,257	3,934	7,359	8,377	8,961	10,901	9,933	10,302	11,356	12,047	14,158	13,867
Health	136,978	141,033	145,899	156,509	206,597	5,611	6,304	7,019	7,630	12,839	142,589	147,337	152,918	164,139	219,436
Recreation, culture and religion	9,382	9,306	9,267	9,400	10,133	2,224	2,173	2,119	2,534	2,171	11,606	11,479	11,386	11,934	12,304
Education and training	77,319	77,088	79,051	82,255	86,407	7,586	8,967	8,999	8,365	9,647	84,905	86,055	88,050	90,620	96,054
Social protection	264,975	268,245	274,262	275,349	296,584	451	483	551	468	657	265,426	268,728	274,813	275,817	297,241
EU transactions	4,723	5,360	7,852	5,828	5,808	0	0	0	0	0	4,723	5,360	7,852	5,828	5,808
Accounting adjustments	66,516	67,622	69,855	75,345	99,438	21,889	20,443	13,497	12,028	-4,681	88,406	88,065	83,352	87,373	94,757
Total	725,217	742,216	761,139	791,492	987,310	88,641	94,686	93,426	94,479	107,184	813,858	836,902	854,565	885,971	1,094,494

Table 3.8: Total Expenditure: Scottish Government, Local Authorities, Public Corporations, and Other UK Government: Scotland 2016-17 to 2020-21

	£ million														
	Scottish Government, LAs and Public Corporations					Other UK Government					Total				
	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
General public services															
Public and common services	1,002	1,089	1,075	1,523	1,683	496	559	542	624	726	1,498	1,648	1,617	2,147	2,410
International services	0	1	1	1	1	893	864	979	965	923	893	865	980	966	924
Public sector interest expenditure	1,761	1,837	1,940	2,037	1,514	3,386	3,768	3,241	3,125	2,347	5,147	5,605	5,181	5,162	3,861
Defence	4	3	3	3	4	3,053	3,173	3,290	3,445	3,633	3,057	3,176	3,293	3,448	3,637
Public order and safety	2,515	2,626	2,756	2,911	3,020	223	219	228	259	371	2,738	2,845	2,985	3,171	3,392
Economic affairs															
Enterprise and econ development	831	851	971	930	1,376	417	475	639	852	9,842	1,248	1,325	1,610	1,782	11,219
Science and technology	3	3	2	2	1	492	482	516	528	589	494	485	519	529	589
Employment policies	0	0	0	0	0	217	237	246	177	208	217	237	246	177	208
Agriculture, forestry and fisheries	922	901	915	875	848	11	11	11	29	33	932	911	925	904	881
Transport	2,397	2,518	2,466	2,765	3,406	990	1,047	960	960	1,079	3,388	3,565	3,426	3,725	4,485
Environment protection	938	925	998	1,158	1,236	271	295	262	270	296	1,209	1,221	1,259	1,428	1,532
Housing and community amenities	1,588	1,848	2,225	2,321	2,259	0	0	0	0	0	1,588	1,848	2,225	2,321	2,259
Health	12,508	12,660	13,002	13,686	16,980	155	143	80	81	1,046	12,662	12,803	13,082	13,767	18,026
Recreation, culture and religion	971	914	999	925	1,113	431	403	406	436	458	1,403	1,317	1,404	1,361	1,571
Education and training	8,247	8,467	8,632	9,236	9,463	25	27	16	22	23	8,272	8,494	8,648	9,257	9,485
Social protection	5,420	5,295	5,815	5,570	8,889	17,662	17,987	18,391	18,588	17,128	23,082	23,281	24,206	24,158	26,017
EU transactions	0	0	0	0	0	156	207	269	199	278	156	207	269	199	278
Accounting adjustments	6,409	6,568	6,543	6,654	6,860	1,325	1,124	827	821	1,543	7,733	7,693	7,370	7,475	8,403
Total	45,514	46,505	48,344	50,595	58,654	30,202	31,020	30,902	31,382	40,523	75,716	77,525	79,246	81,977	99,176

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 continued to make payments to, and receive funding from, the EU in 2020-21 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:²⁰

- 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.

²⁰ Further detail is available from HM Treasury's European Union Finances 2018 publication: <https://www.gov.uk/government/statistics/european-union-finances-2018>

Table 3.9: Transactions with the institutions of the EU, 2016-17 to 2020-21 (£ million)										
	Scotland					UK				
	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
GNI based contribution	927	945	1,173	1,045	875	11,440	11,761	14,599	13,003	10,892
UK abatement	-392	-374	-397	-339	-279	-4,757	-4,547	-4,846	-4,149	-3,429
VAT-based contribution to the EU	204	244	257	220	187	2,477	2,974	3,138	2,696	2,246
Expenditure transfers to the EU	739	816	1,034	926	783	9,160	10,188	12,892	11,549	9,709
Receipts to cover collection costs of TOR	-29	-57	-54	-54	-39	-357	-698	-664	-663	-482
TOR	277	280	270	271	196	3,366	3,413	3,304	3,320	2,410
Gross contribution to the EU budget	987	1,039	1,250	1,143	941	12,169	12,903	15,531	14,206	11,636
Public sector EU receipts	-554	-552	-711	-673	-467	-4,081	-4,130	-4,375	-5,059	-3,419
Net contributions to the EU budget	433	487	539	471	474	8,088	8,773	11,156	9,147	8,218
<i>EU transactions (net contributions to EU institutions less TOR)</i>	156	207	269	199	277	4,722	5,360	7,852	5,827	5,808

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 2015-16 to 2019-20, 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 2015-16 to 2019-20					
	£ million				
	2015-16	2016-17	2017-18	2018-19	2019-20
Scotland	97.4	104.8	116.3	111.1	104.5
UK	840.6	877.2	924.6	993.7	881.6

Note: The HEI financial reporting period 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.

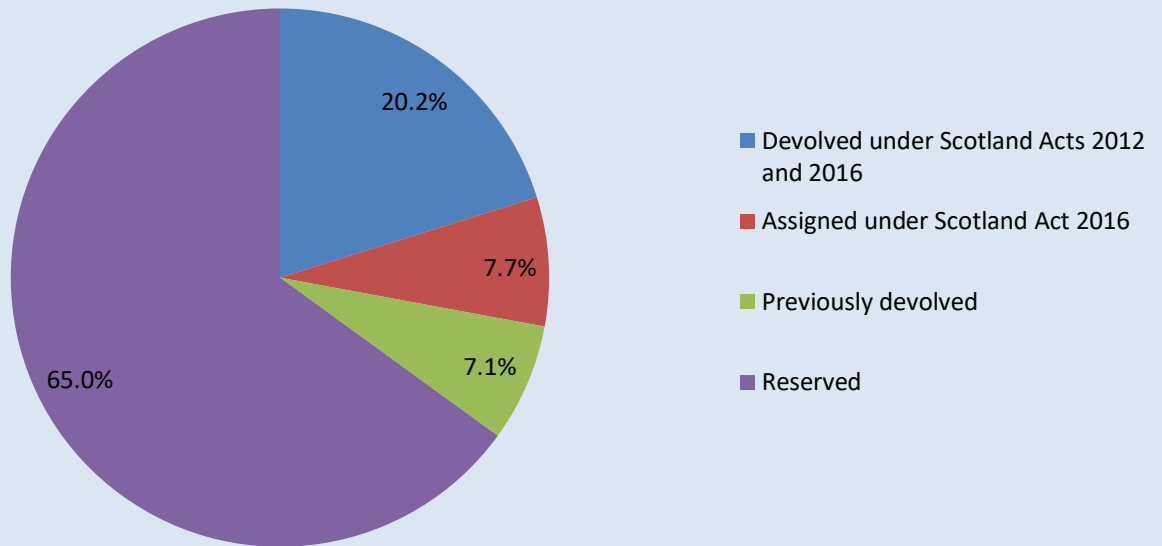
3 Public Sector Expenditure

Scotland: Unitary charge payments, 2016-17 to 2020-21					
	£ million				
	2016-17	2017-18	2018-19	2019-20	2020-21
By scheme type					
Private Finance Initiative	998	1,013	1,027	1,046	1,060
Non-Profit Distributing models ¹	107	189	262	330	353
Total Unitary Charge payments	1,106	1,202	1,289	1,376	1,413
By procuring authority					
Further Education	27	35	35	35	35
Local Government	514	548	585	606	640
NHS	258	273	298	327	340
Other Scottish Government	133	169	191	224	213
Ministry of Defence	25	26	26	24	22
Scottish Water	148	151	155	160	162
Total Unitary Charge payments	1,106	1,202	1,289	1,376	1,413
By sector of project					
Energy	5	5	-	-	-
Further Education	27	35	35	35	35
Health	258	273	298	327	340
IT	-	-	-	-	-
Ministry of Defence	25	26	26	24	22
Offices	3	3	3	3	3
Police	4	4	5	5	5
Prisons	47	47	48	50	52
Schools	469	502	545	565	599
Transport	102	138	158	190	177
Waste	165	169	172	178	180
Total Unitary Charge payments	1,106	1,202	1,289	1,376	1,413
<i>UK Total Unitary Charge Payments</i>	<i>10,528</i>	<i>10,773</i>	<i>10,158</i>	<i>10,212</i>	<i>10,045</i>
<i>Scotland as % UK</i>	<i>10.5%</i>	<i>11.2%</i>	<i>12.7%</i>	<i>13.5%</i>	<i>14.1%</i>

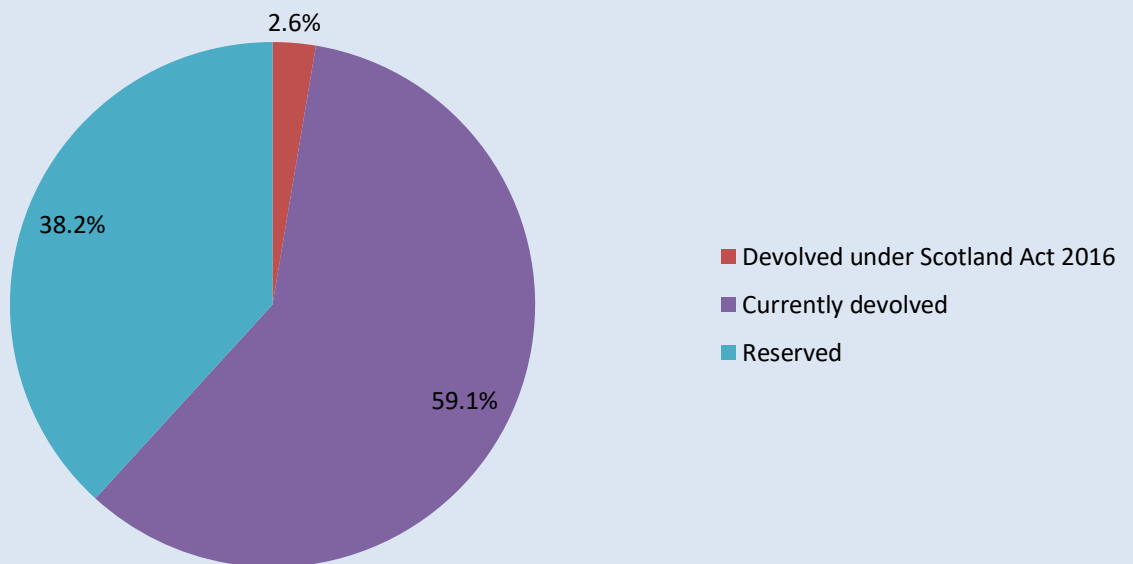
¹ Non-profit distributing models includes projects delivered by the hub model and projects commissioned prior to 2010. Further detail is available at: <http://www.gov.scot/Topics/Government/Finance/18232/12308>
Source: HM Treasury and Scottish Government figures. See the accompanying spreadsheet for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

CHAPTER 4: DEVOLVED REVENUE & EXPENDITURE

Devolved and Reserved Revenue in Scotland 2020-21



Devolved and Reserved Expenditure in Scotland 2020-21



4

DEVOLVED REVENUE AND EXPENDITURE

Introduction

This chapter provides information on the amount of public sector revenue and expenditure currently devolved to Scotland 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 2020-21 was estimated at £16.9 billion.

Table 4.1: Currently devolved taxes					
	£ million				
	2016-17	2017-18	2018-19	2019-20	2020-21
Council tax	2,077	2,257	2,349	2,456	2,600
Non-domestic rates	2,731	2,762	2,847	2,761	1,816
Land and buildings transaction tax (devolved from 2015-16)	484	557	554	597	515
Scottish landfill tax (devolved from 2015-16)	149	148	149	119	106
Non-savings and non-dividend income tax liabilities (devolved from 2016-17) ¹	10,719	10,916	11,556	11,833	11,850
Total devolved taxes	16,160	16,640	17,455	17,766	16,887

¹ This table shows Scottish Rate of Income Tax liabilities rather than receipts in a given year. They are therefore on a different basis to the estimates of total Scottish income tax receipts in Table 1.1. The figure for 2020-21 is the SFC forecast from January 2021.

Further devolution of taxes is due to continue in the next few years, with Air Passenger Duty and Aggregates Levy due to be devolved following the Scotland Act 2016. As well as further tax devolution, 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, although policy decisions will remain reserved. The transition period for VAT assignment began on 1 April 2019.

As these taxes are not yet devolved there is no outturn data associated with them, and the table below shows the estimated historical revenues from these taxes.

Table 4.2: Revenue to be devolved under Scotland Act 2016					
	£ million				
	2016-17	2017-18	2018-19	2019-20	2020-21
Air passenger duty (date of devolution to be decided)	256	274	290	273	34
Aggregates levy (date of devolution to be decided)	58	57	57	56	61
VAT assignment (from 2019-20)	4,828	5,304	5,588	5,478	4,818

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

Further information on the planned devolution of taxes to the Scottish Government is available in the fiscal framework agreement between the Scottish and UK Governments.²¹ Further information on the funding received by the Scottish Government is set out in the Fiscal Framework Outturn Report.²²

Devolved Social Security

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

Table 4.3: Social security devolved prior to Scotland Act 2016					
	£ million				
	2016-17	2017-18	2018-19	2019-20	2020-21
Council tax reduction	332	327	331	340	372
Scottish welfare fund	35	33	35	38	59
Discretionary housing payments	52	59	62	66	76
Total	418	419	429	443	508

As social security benefits are devolved to the Scottish Government, they often initially continue to be administered by the Department for Work and Pensions under an Agency Agreement. 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.

Table 4.4: Devolved social security under Scotland Act 2016					
	£ million				
	2016-17	2017-18	2018-19	2019-20	2020-21
Administered by Social Security Scotland					
Best Start Grant (previously Sure Start maternity grant ¹)	3	2	4	21	18
Funeral Support Payment (previously Funeral Payment ²)	5	5	5	4	11
Scottish Child Payment	-	-	-	-	9
Carer's Allowance Supplement	-	-	-	37	56
Child Winter Heating Assistance	-	-	-	-	3
Administered by Department and Work and Pensions under an Agency Agreement					
Attendance Allowance	487	492	506	531	528
Carer's Allowance	234	249	266	279	299
Disability living allowance	1,219	999	893	801	722
Personal independence payment	552	930	1,138	1,332	1,626
Industrial injuries disablement benefit	84	82	82	82	83
Severe disablement allowance	22	12	10	9	7
Benefits yet to be devolved					
Cold weather payments	1	22	10	29	19
Winter fuel payment	178	176	173	171	173
Total expenditure on social security to be devolved	2,785	2,969	3,086	3,295	3,554

Notes:

¹ Sure Start maternity grant was replaced in Scotland by the Scottish Government's Best Start Grant on 10 December 2018.

² Funeral Payments were replaced in Scotland by the Scottish Government's Funeral Support Payments in September 2019

²¹ <https://www.gov.uk/government/publications/the-agreement-between-the-scottish-government-and-the-united-kingdom-government-on-the-scottish-governments-fiscal-framework>

²² <https://www.gov.scot/publications/fiscal-framework-outturn-report-2020/>

4 Devolved Revenue and Expenditure

Further information on the planned devolution of taxes and social security to the Scottish Government is available in the fiscal framework agreement between the Scottish and UK Governments.²³ Further information on the funding received by the Scottish Government is set out in the Fiscal Framework Outturn Report.²⁴

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.

Table 4.5: Fiscal powers before and after Scotland Act 2016, 2020-21 (£ million)		
	Before Scotland Acts 2012 and 2016	After Scotland Acts 2012 and 2016
Non-saving non-dividend income tax liabilities (devolved from 2016-17)	-	11,850
Council tax	2,600	2,600
Non-domestic rates	1,816	1,816
Land and buildings transaction tax (devolved from 2015-16)	-	515
Scottish landfill tax (devolved from 2015-16)	-	106
Air passenger duty (date to be decided)	-	34
Aggregates levy (date to be decided)	-	61
Total devolved taxes	4,416	16,983
Devolved taxes as % of non-North Sea Scottish revenue	7%	27%
as % of revenue incl geographical share of North Sea revenue	7%	27%
Assigned VAT (in transition from 2019-20)	-	4,818
Total devolved and assigned taxes	4,416	21,800
Devolved and assigned taxes as % of non-North Sea Scottish revenue	7%	35%
as % of taxes incl geographical share of North Sea revenue	7%	35%
Devolved expenditure including housing benefit ¹ (HB)	55,291	58,845
Devolved taxes as % of estimated devolved expenditure	8%	29%
Devolved and Assigned taxes as % of estimated devolved expenditure	8%	37%

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.

²³ <https://www.gov.uk/government/publications/the-agreement-between-the-scottish-government-and-the-united-kingdom-government-on-the-scottish-governments-fiscal-framework>

²⁴ <https://www.gov.scot/publications/fiscal-framework-outturn-report-2020/>

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)					
	2016-17	2017-18	2018-19	2019-20	2020-21
Scotland	5,410	5,428	5,444	5,464	5,466
UK	65,746	66,139	66,526	66,868	67,081
As % of UK total	8.2%	8.2%	8.2%	8.2%	8.1%

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				
	2016-17	2017-18	2018-19	2019-20	2020-21
Current Budget					
Revenue					
Excluding North Sea revenue	59,303	61,225	64,158	65,312	62,287
Including North Sea revenue (population share)	59,306	61,331	64,256	65,365	62,321
Including North Sea revenue (geographical share)	59,461	62,367	65,516	66,157	62,837
Current expenditure	66,860	68,487	70,508	73,175	89,372
Capital consumption	5,379	5,334	5,737	6,074	8,607
Balance on current budget (surplus is positive, deficit is negative)					
Excluding North Sea revenue	-12,937	-12,596	-12,086	-13,937	-35,693
Including North Sea revenue (population share)	-12,934	-12,490	-11,989	-13,884	-35,659
Including North Sea revenue (geographical share)	-12,778	-11,455	-10,728	-13,092	-35,143
Capital Budget					
Capital expenditure	8,856	9,038	8,738	8,802	9,804
Capital consumption	-5,379	-5,334	-5,737	-6,074	-8,607
Net Investment	3,477	3,704	3,001	2,728	1,197
Net Fiscal Balance (surplus is positive, deficit is negative)					
Excluding North Sea revenue	-16,413	-16,300	-15,088	-16,665	-36,889
Including North Sea revenue (population share)	-16,410	-16,194	-14,990	-16,612	-36,856
Including North Sea revenue (geographical share)	-16,255	-15,159	-13,729	-15,821	-36,340

Although tobacco duties and alcohol duties are both based on the Living Costs and Food Survey, the confidence interval for alcohol is larger. This is because the methodology for calculating alcohol duties uses more disaggregate survey data to reflect the different levels of duty, and revenue, received from different types of alcohol. This lower level survey data has a correspondingly larger uncertainty.

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

Table A.5: Confidence intervals around survey based apportionments: Scotland					
	£ million				
	Central estimate	95% lower bound	95% upper bound	Range	Range (%)
National insurance contributions	11,476	11,281	11,671	+/-195	+/-1.7%
VAT ¹	9,635	9,423	9,847	+/-212	+/-2.2%
Tobacco duties	1,333	1,310	1,355	+/-23	+/-1.7%
Alcohol duties	1,231	1,133	1,330	+/-99	+/-8%
Betting and gaming duties	223	220	226	+/-3	+/-1.4%
Insurance premium tax	422	414	431	+/-8	+/-2%
Total survey based apportionments	24,321	23,781	24,860	+/-540	+/-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 2021.

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 2019-20 and this GERS report, a small number of supplementary amendments to the CRA 2019-20 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\(gers\)](https://www.gov.scot/collections/economy-statistics/#governmentexpenditureandrevenuescotland(gers))

As the CRA for 2020-21 is not yet published, there are no formal amendments to individual spending lines in 2020-21. The 2019-20 adjustments are in effect carried forward into 2020-21, adjusted for the spending of the responsible department. Further detail is provided in the expenditure methodology note.

Table A.6: Amendments to Estimates of Total Public Sector Expenditure on Services from CRA 2020

	£ million			
	2016-17	2017-18	2018-19	2019-20
Amendments from the CRA				
High Speed 2	-23	-26	-93	-73
Nuclear-related expenditure	-60	-57	-53	-38
Pensions revisions	-19	-20	-21	-22
Other minor revisions	-67	-53	-80	-6
Total CRA amendments	-169	-157	-246	-140

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.

This year, there are a number of accounting adjustments which relate to COVID-19. These include business support grants which are administered by local authorities as agents as central government, and therefore have not been included in local government spending. They also include COVID-19 loan guarantee schemes. Some spending associated with these schemes is included in Total Expenditure on Services, as they are included in departmental spending data. However, the final amount of spending included in the Public Sector Finances will depend on the rate of repayment of the loans. A decision has not yet been made on how much expenditure to include in the Public Sector Finances, and as such the departmental spending data is removed from the final spending figures in GERS.

Table A.7: Expenditure Accounting Adjustment: UK

	£ million				
	2016-17	2017-18	2018-19	2019-20	2020-21
UK total managed expenditure (TME)	813,858	836,902	854,565	885,971	1,094,494
UK total expenditure on services (TES)	725,452	748,837	771,213	798,598	999,737
UK accounting adjustment	88,406	88,065	83,352	87,373	94,757
of which current expenditure:					
Central government capital consumption	28,113	28,694	29,117	30,009	30,761
Local government capital consumption	12,679	13,243	13,919	14,626	14,994
Current VAT refunds	14,854	15,143	16,016	16,622	17,874
Imputed subsidy from Local Authorities to the Housing Revenue Account ¹	827	1,124	1,399	2,258	2,069
Imputed flows for Renewable Obligation Certificates ²	4,567	5,424	6,124	6,116	6,296
Local authority pensions	400	200	100	0	0
British Transport Police Service Agreements	145	145	145	145	145
Covid-19 Grants to Local Authorities	0	0	0	0	23,200
Current expenditure residual	4,931	3,650	3,036	5,570	4,099
of which capital expenditure:					
Capital VAT refunds	2,594	2,129	2,198	2,257	2,317
Housing associations	7,386	6,330	832	165	165
Student loans	7,477	9,893	12,411	14,144	14,144
Covid-19 Loan schemes	0	0	0	0	-18,900
Capital expenditure residual	4,433	2,090	-1,945	-4,538	-2,407

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				
	2016-17	2017-18	2018-19	2019-20	2020-21
Scottish total managed expenditure (TME)	75,716	77,525	79,246	81,977	99,176
Scottish total expenditure on services (TES)	67,983	69,832	71,875	74,502	90,773
Scottish accounting adjustment	7,733	7,693	7,370	7,475	8,403
Percentage of UK accounting adjustment	8.7%	8.7%	8.8%	8.6%	8.9%
Of which current expenditure:					
Central government capital consumption	2,760	2,780	2,775	2,866	2,936
Local government capital consumption	1,302	1,359	1,429	1,501	1,539
Current VAT refunds	1,351	1,379	1,465	1,579	1,688
Imputed subsidy from Local Authorities to the Housing Revenue Account ¹	62	84	104	168	154
Imputed flows for Renewable Obligation Certificates ²	542	644	727	726	747
Local authority pensions	37	19	9	0	0
British Transport Police Service Agreements	12	9	12	12	12
Covid-19 Grants to Local Authorities	0	0	0	0	2,192
Current expenditure residual	406	301	248	456	335
Of which capital expenditure:					
Capital VAT refunds	236	194	201	214	219
Housing associations	463	443	276	0	0
Student loans	198	311	285	324	324
Covid-19 Loan schemes	0	0	0	0	-1,546
Capital expenditure residual	364	171	-159	-371	-197

^{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, 2020-21

	Expenditure AA	Revenue AA	Revenue line
	£ million		
Of which current expenditure:			
Central government capital consumption	2,936	2,936	Gross operating surplus
Local government capital consumption	1,539	1,539	Gross operating surplus
Current VAT refunds	1,688	1,688	VAT refunds
Imputed subsidy from Local Authorities to the Housing Revenue Account	154	-	n/a
Imputed flows for Renewable Obligation Certificates	747	747	Environmental levies
Local authority pensions	0	-	n/a
British Transport Police Service Agreements	12	12	Other taxes, royalties, and adjustments
Covid-19 Grants to Local Authorities	2,192	-	n/a
Current expenditure residual	335	-	n/a
Of which capital expenditure:			
Capital VAT refunds	219	219	VAT refunds
Housing associations	0	-	n/a
Student loans	324	-	n/a
Covid-19 Loan schemes	-1,546	-	n/a
Capital expenditure residual	-197	-	n/a
Total accounting adjustments	8,403	7,140	

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 2019-20 rather than 2020-21, as this is the latest year for which published accounts are available for both the Scottish Government and Scottish local government. 2020-21 figures in GERS are based on provisional outturn estimates.

Table A.10: Reconciliation of published budget documents to GERS expenditure Table 3.8	
	£ billion 2019-20
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	0.9
Total Scottish Government & associated PC expenditure	44.5
Adjustments to align budget to CRA measure of spending	
Grants to other public sector bodies (e.g. local government)	-11.6
Pensions	-4.7
Depreciation	-0.9
Financial transactions associated with student loans and public corporations	-1.1
Adjustments to move from spend 'in' Scotland to spend 'for' Scotland ²	-0.1
Other	-0.8
Final Scottish Government & PC expenditure on services for Scotland	25.3
Scottish Local Government	
Published Local Government gross current expenditure ³	16.8
Income excluding grants from Central Government ⁴	-5.2
Housing benefit	1.6
Published Local Government gross capital expenditure ⁵	3.8
Income from sales of capital assets ⁶	-0.1
Final Scottish Local Government & associated PC expenditure on services for Scotland	16.9
Scottish Government, Local Government, & PC expenditure on services for Scotland	
	42.2
National Accounts adjustments⁷	
Capital consumption	4.4
VAT refunds	1.8
Local Government pension fund interest expenditure	1.5
Other accounting adjustments	0.7
Final Scottish Government, Scottish Local Government & PC TME	50.6

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 2019-20, Table 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 2019-20, Table H. All services total gross capital expenditure

⁶ Scottish Local Government Finance Statistics 2019-20, Table J. Total capital receipts used from asset sales/disposals

⁷ See Table A.8

B REVISIONS

This section presents revisions from the previous GERS 2019-20 publication.

Revisions to Non-North Sea Revenue Estimates from GERS 2019-20

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 2020-21 relates to the treatment of public sector interest expenditure, where interest expenditure associated with Scottish Local Government pension funds is separated out. All this expenditure is treated as Scottish, rather than apportioning Scotland a population share.

There are a number of revisions to UK revenue totals from GERS 2019-20. However these are relatively small, and overall UK revenue for 2019-20 has been revised by 0.1%. The main revisions relate to income tax and corporation tax, where revenue has been revised down as the impact of the pandemic on these revenues at the end of 2019-20. This is offset by upward revisions to the 'other taxes' category, reflecting increased receipts associated with the Emissions Trading Scheme.

Further detail on all these revisions is available from the UK Public Sector Finances.²⁵

Table B.1: Revision to Estimates of Total Non-North Sea Revenue				
	£ million			
	2016-17	2017-18	2018-19	2019-20
Scotland				
Estimates published in GERS 2019-20	59,372	61,432	64,076	65,155
Estimates published in GERS 2020-21	59,303	61,225	64,158	65,312
Revision (£m)	-69	-207	82	158
UK				
Estimates published in GERS 2019-20	756,587	777,267	809,859	825,396
Estimates published in GERS 2020-21	759,814	781,950	815,193	828,358
Revision (£m)	3,227	4,683	5,334	2,962
Scotland/UK ratio				
Estimates published in GERS 2019-20	7.8%	7.9%	7.9%	7.9%
Estimates published in GERS 2020-21	7.8%	7.8%	7.9%	7.9%
Revision (% point)	0.0%	-0.1%	0.0%	0.0%

Scottish revisions broadly reflect these UK revisions, the main difference relating to income tax, where the latest outturn data has resulted in an upward revision to Scottish revenue. As a result of the pandemic, there was a delay in publishing the latest Scottish Income Tax Statistics in 2020, which meant that a forecast was used for GERS. This year, HMRC has again published the latest outturn statistics in July, meaning that revisions in future years should be smaller.

²⁵ <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/previousReleases>

Table B.2: Revision to Estimates of Public Sector Revenue: Scotland and UK 2019-20

	£ million		%	
	Scotland	UK	Scotland	UK
Income tax	51	-1,900	0.4%	-1.0%
National insurance contributions	42	463	0.4%	0.3%
Value added tax	-59	33	-0.5%	0.0%
Corporation tax (excluding North Sea)	-81	-1,284	-2.5%	-2.5%
Fuel duties	-144	0	-6.0%	0.0%
Non-domestic rates	0	-398	0.0%	-1.2%
Council tax	-31	-229	-1.2%	-0.6%
VAT refunds	67	59	3.9%	0.3%
Capital gains tax	15	-152	3.5%	-1.5%
Inheritance tax	0	-3	-0.1%	-0.1%
Reserved stamp duties	12	101	4.2%	0.6%
Scottish Land & Buildings transaction tax	0	0	-0.1%	-0.1%
Scottish landfill tax	0	0	-0.2%	-0.2%
Air passenger duty	0	270	0.0%	8.0%
Tobacco duties	77	1	6.2%	0.0%
Alcohol duties	-15	-181	-1.3%	-1.5%
Insurance premium tax	10	87	2.3%	1.4%
Vehicle excise duties	-24	0	-4.2%	0.0%
Environmental levies	-2	-33	-0.3%	-0.5%
Other taxes	234	3,363	11.3%	13.9%
Total Non-North Sea taxes	151	196	0.3%	0.0%
Other Revenue				
Interest and dividends	49	578	2.3%	2.2%
Gross operating surplus	42	3,076	0.7%	5.7%
Other receipts	-84	-888	-16.1%	-20.2%
Total non-North Sea revenue	158	2,962	0.2%	0.4%

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

Revisions to North Sea Revenue Estimates from GERS 2019-20

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. Revenue has been revised up in 2019-20, reflecting updated assessment of corporation tax paid by fields in Scottish waters. Estimates for previous years are largely unrevised.

Table B.3: Revisions to North Sea Revenue: 2016-17 to 2019-20

	£ million			
	2016-17	2017-18	2018-19	2019-20
Scotland (illustrative geographical share)				
Estimates published in GERS 2019-20	157	1,141	1,366	724
Estimates published in GERS 2020-21	159	1,142	1,358	844
Revision	1	1	-8	120
UK				
Estimates published in GERS 2019-20	36	1,297	1,195	650
Estimates published in GERS 2020-21	36	1,297	1,196	643
Revision	0	0	1	-7

Revisions to Expenditure Estimates from GERS 2019-20

Table B.4 sets out the changes in estimates of public expenditure in Scotland and the UK between this report and GERS 2019-20. 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 the methodological change to public sector interest expenditure. There have also been revisions to estimates of spending associated with student loans, as the methodology for bringing this spending into the public sector has been revised from the initial estimates included last year. The revisions to Scottish spending are broadly in line with those for the UK, apart from public sector interest expenditure, where the methodology change sees higher spending in Scotland. Scotland's share of total public sector expenditure is in general slightly higher in most years as a result of this change.

Table B.4: Revisions to Estimates of Total Managed Expenditure: 2016-17 to 2019-20

	£ million			
	2016-17	2017-18	2018-19	2019-20
Scotland				
Estimates published in GERS 2019-20	75,001	76,823	78,598	81,015
Estimates published in GERS 2020-21	75,716	77,525	79,246	81,977
Revision	715	702	648	962
<i>Of which revisions to public sector interest expenditure</i>	<i>-52</i>	<i>-74</i>	<i>-233</i>	<i>-192</i>
<i>Of which revisions to student loans</i>	<i>198</i>	<i>311</i>	<i>285</i>	<i>324</i>
UK				
Estimates published in GERS 2019-20	812,631	835,053	851,697	881,431
Estimates published in GERS 2020-21	813,858	836,902	854,565	885,971
Revision	1,227	1,849	2,868	4,540
<i>Of which revisions to student loans</i>	<i>7,477</i>	<i>9,893</i>	<i>12,411</i>	<i>14,144</i>
Scotland/UK Ratio				
Estimates published in GERS 2019-20	9.2%	9.2%	9.2%	9.2%
Estimates published in GERS 2020-21	9.3%	9.3%	9.3%	9.3%
Revision (% point)	0.1%	0.1%	0.0%	0.1%

B Revisions

The table below shows the revisions to spend in 2019-20 by function, and by Scottish Government, Scottish local government, Scottish public corporations, and Other UK government bodies. Overall, Scottish spend in 2019-20 has been revised up by £962 million, primarily due to the change to public sector interest expenditure.

Table B.5: Revisions to Estimates of Public Sector Expenditure: Scotland and UK 2019-20						
	£ million					
	Scotland					UK
	Scottish Government	Local Government	Scottish Public Corporations	Other UK Government Bodies	Total	
General public services						
Public and common services	2	318	0	18	338	-15
International services	0	0	0	0	0	-76
Public sector interest expenditure	0	0	0	629	629	-718
Defence	0	0	0	-3	-3	74
Public order and safety	-1	0	0	19	17	70
Economic affairs						
Enterprise and economic development	-11	-19	0	17	-13	1,489
Science and technology	0	0	0	-225	-225	1
Employment policies	0	0	0	-33	-33	2
Agriculture, forestry and fisheries	52	-34	1	22	40	-65
Transport	-72	91	-8	-256	-245	-105
Environment protection	0	80	0	-10	70	168
Housing and community amenities	0	-62	-60	0	-122	-307
Health	7	0	0	-5	2	9
Recreation, culture and religion	3	35	0	0	38	373
Education and training	0	51	0	5	57	-1,775
Social protection	17	-335	0	200	-117	472
EU Transactions	0	0	0	-11	-11	-304
Accounting adjustments	237	0	118	185	540	5,246
Total revision	234	125	51	552	962	4,540

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: 2016-17 to 2019-20				
	£ million			
	2016-17	2017-18	2018-19	2019-20
Scotland				
Estimates published in GERS 2019-20	5,431	5,408	5,970	6,266
Estimates published in GERS 2020-21	5,379	5,334	5,737	6,074
Revision	-52	-74	-233	-192

In general, capital consumption in all years has been revised down in all years, reflecting updated data from the ONS.

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 Scottish current budget deficit has increased in all years. This reflects the revisions to public sector interest expenditure discussed above.

Table B.7: Revisions to Estimates of the Current Budget Balance: 2016-17 to 2019-20				
	£ million			
	2016-17	2017-18	2018-19	2019-20
Estimates published in GERS 2019-20				
Excluding North Sea revenue	-12,308	-11,749	-11,520	-12,651
Including North Sea revenue (per capita share)	-12,306	-11,643	-11,422	-12,598
Including North Sea revenue (geographical share)	-12,151	-10,609	-10,154	-11,927
<i>UK</i>	-17,237	-12,153	3,519	-7,788
Estimates published in GERS 2020-21				
Excluding North Sea revenue	-12,937	-12,596	-12,086	-13,937
Including North Sea revenue (per capita share)	-12,934	-12,490	-11,989	-13,884
Including North Sea revenue (geographical share)	-12,778	-11,455	-10,728	-13,092
<i>UK</i>	-14,096	-8,349	5,406	-13,813
Difference (£ million) (positive shows improvement)				
Excluding North Sea revenue	-629	-847	-566	-1,286
Including North Sea revenue (per capita share)	-628	-847	-567	-1,286
Including North Sea revenue (geographical share)	-627	-846	-574	-1,165
<i>UK</i>	3,141	3,804	1,887	-6,025

Table B.8 shows revisions to the net fiscal balance from the previous publication of GERS. In general, these are similar to the revisions to the current budget balance for Scotland

Table B.8: Revisions to Estimates of the Net Fiscal Balance: 2016-17 to 2019-20				
	£ million			
	2016-17	2017-18	2018-19	2019-20
Estimates published in GERS 2019-20				
Excluding North Sea revenue	-15,629	-15,391	-14,521	-15,860
Including North Sea revenue (per capita share)	-15,626	-15,285	-14,424	-15,807
Including North Sea revenue (geographical share)	-15,472	-14,250	-13,155	-15,136
<i>UK</i>	-56,008	-56,489	-40,643	-55,385
Estimates published in GERS 2020-21				
Excluding North Sea revenue	-16,413	-16,300	-15,088	-16,665
Including North Sea revenue (per capita share)	-16,410	-16,194	-14,990	-16,612
Including North Sea revenue (geographical share)	-16,255	-15,159	-13,729	-15,821
<i>UK</i>	-54,008	-53,655	-38,176	-56,970
Difference (£ million) (positive shows improvement)				
Excluding North Sea revenue	-784	-909	-567	-805
Including North Sea revenue (per capita share)	-784	-909	-566	-805
Including North Sea revenue (geographical share)	-783	-909	-574	-685
<i>UK</i>	2,000	2,834	2,467	-1,585

B Revisions

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. These revisions reflect the downward revision to the nominal value of North Sea GDP made in the Quarterly National Accounts Scotland for 2020Q3. 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

	2016-17	2017-18	2018-19	2019-20
Estimates published in GERS 2019-20	% of GDP			
Excluding North Sea revenue	-7.7%	-6.4%	-5.7%	-6.8%
Including North Sea revenue (population share)	-8.0%	-7.3%	-6.9%	-7.5%
Including North Sea revenue (geographical share)	-0.9%	-0.6%	0.1%	-0.4%
<i>UK</i>	0.0%	0.0%	0.0%	0.0%
GERS 2019-20 estimate with latest GDP estimates	% of GDP			
Excluding North Sea revenue	-8.1%	-7.5%	-7.0%	-7.6%
Including North Sea revenue (population share)	-8.0%	-7.3%	-6.9%	-7.5%
Including North Sea revenue (geographical share)	-7.5%	-6.3%	-5.7%	-6.6%
<i>UK</i>	-0.9%	-0.6%	0.2%	-0.4%
Change (positive denotes improvement)	% point difference			
Excluding North Sea revenue	-0.4%	-1.0%	-1.3%	-0.8%
Including North Sea revenue (population share)	0.0%	0.0%	0.0%	0.0%
Including North Sea revenue (geographical share)	-6.7%	-5.6%	-5.8%	-6.3%
<i>UK</i>	-0.9%	-0.6%	0.2%	-0.4%

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

	2016-17	2017-18	2018-19	2019-20
Estimates published in GERS 2019-20	% of GDP			
Excluding North Sea revenue	-9.7%	-8.6%	-7.4%	-8.6%
Including North Sea revenue (population share)	-10.2%	-9.6%	-8.7%	-9.3%
Including North Sea revenue (geographical share)	-2.8%	-2.7%	-1.9%	-2.5%
<i>UK</i>	0.0%	0.0%	0.0%	0.0%
GERS 2019-20 estimate with latest GDP estimates	% of GDP			
Excluding North Sea revenue	-10.3%	-9.8%	-8.9%	-9.5%
Including North Sea revenue (population share)	-10.2%	-9.6%	-8.7%	-9.4%
Including North Sea revenue (geographical share)	-9.6%	-8.4%	-7.4%	-8.4%
<i>UK</i>	-2.8%	-2.7%	-1.9%	-2.5%
Change (positive denotes improvement)	% point difference			
Excluding North Sea revenue	-0.5%	-1.2%	-1.4%	-0.9%
Including North Sea revenue (population share)	0.0%	0.0%	-0.1%	0.0%
Including North Sea revenue (geographical share)	-6.8%	-5.7%	-5.5%	-5.9%
<i>UK</i>	-2.8%	-2.7%	-1.9%	-2.5%

C

LIST OF ABBREVIATIONS

CRA	Country and Regional Analysis
COFOG	Classification of the Functions of Government
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
NPD	Non-Profit Distributing
NHS	National Health Service
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
SFC	Scottish Fiscal Commission
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.

Classification 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 revenue 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.

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 consolidated as a single entity.

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 and asset sales.

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 by the Office for National Statistics.

Revenue: all revenue raised by the public sector from tax and non-tax revenues except the sale of assets or interest received.

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/>

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