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GOVERNMENT EXPENDITURE & REVENUE SCOTLAND 2021-22

AUGUST 2022



Scottish Government
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GOVERNMENT
EXPENDITURE & REVENUE
SCOTLAND 2021-22

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ISBN: 978-1-80435-763-7 (web only)

Published by The Scottish Government, August 2022

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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?
- The results for this year's publication continue to be affected by the coronavirus pandemic, which had an ongoing and significant impact on global public sector finances in 2021-22, 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.

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. In 2021-22, Scotland's net fiscal balance was -12.3%, compared to -22.7% in 2020-21.

Table S.1: Net Fiscal Balance: Scotland and UK 2017-18 to 2021-22

	£ million				
	2017-18	2018-19	2019-20	2020-21	2021-22
Scotland	-15,071	-14,418	-15,902	-35,774	-23,727
Scotland - Excluding North Sea	-16,213	-15,778	-16,735	-36,539	-27,191
As % of GDP					
Scotland	-8.9%	-8.1%	-8.8%	-22.7%	-12.3%
Scotland - Excluding North Sea	-10.3%	-9.7%	-10.1%	-24.1%	-15.7%
UK	-2.6%	-2.0%	-2.4%	-14.5%	-6.1%

- The deficit on the net fiscal balance as a share of GDP has decreased for both Scotland and the UK in 2021-22, by 8.4 percentage points for the UK and 10.3 percentage points for Scotland. This reflects the partial reversal of the initial impacts of COVID-19, which saw falls in revenue, increased expenditure, and falls in GDP. However, during 2021-22 as a whole, economic activity continued to be suppressed by COVID-19, and this, combined with ongoing support schemes, means that the net fiscal balance remains significantly larger than its pre-pandemic level.
- The difference in the magnitude of change in the net fiscal balance for Scotland and the UK is primarily explained by the contribution of North Sea revenue and activity. North Sea revenue, which affects Scotland's fiscal position more than the UK's, grew by £2.7 billion in 2021-22, to reach its highest level since 2013-14.
- Excluding North Sea revenue, the net fiscal balance for Scotland fell by 8.4 percentage points, in line with the UK.
- 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 increased during the pandemic. In 2021-22, the deficit on the Scottish current budget balance excluding the North Sea decreased by 8.7 percentage points.

Table S.2: Current Budget Balance: Scotland and UK 2017-18 to 2021-22

	£ million				
	2017-18	2018-19	2019-20	2020-21	2021-22
Scotland	-11,686	-11,347	-13,021	-30,670	-17,352
Scotland - Excluding North Sea	-12,827	-12,708	-13,854	-31,435	-20,816
	As % of GDP				
Scotland	-6.9%	-6.3%	-7.2%	-19.4%	-9.0%
Scotland - Excluding North Sea	-8.1%	-7.8%	-8.3%	-20.7%	-12.0%
UK	-0.6%	0.1%	-0.6%	-11.1%	-3.4%

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

Scotland's revenue

- Table S.3 shows two estimates of Scotland's public sector revenue: (i) all Scottish revenue, and (ii) excluding North Sea revenue.
- Scotland's estimated non-North Sea revenue in 2021-22 grew by £8.4 billion to £70.3 billion. This was an increase of 13.6% from 2020-21, the largest increase recorded. This follows the largest fall recorded last year, and reflects the reversal of the falls in revenue caused by the pandemic. Growth was particularly strong in VAT, non-domestic rates, fuel duties, and income tax and national insurance contributions. Non-North Sea revenue for the UK grew by 15.0%.

- As a share of GDP, non-North Sea revenue fell slightly to 40.5%, as nominal GDP rose faster than revenue.
- Scotland's non-North Sea revenue was 7.7% of total UK revenue in 2021-22, lower than 2020-21 and the lowest share on record. This fall the share was in part due to relatively weaker performance in income tax receipts and non-domestic rates income, with the latter in part being affected by the different timing and coverage of reliefs in Scotland compared to other parts of the UK.
- Including an illustrative geographical share of the North Sea, total Scottish revenue was £73.8 billion, an increase of 17.6% from 2020-21. This is larger than the increase in non-North Sea revenue, reflecting the fact that Scottish North Sea revenue grew by £2.7 billion in 2021-22, as prices rose after falling during the pandemic.
- Including an illustrative geographical share of the North Sea, Scottish revenue was 8.0% of the UK total, and at its highest level since 2014-15.

Table S.3: Total Revenue: 2017-18 to 2021-22					
	£ million				
	2017-18	2018-19	2019-20	2020-21	2021-22
Scotland	62,315	65,114	66,057	62,665	73,776
Scotland - Excluding North Sea	61,174	63,754	65,225	61,900	70,311
	As % of UK total revenue				
Scotland	8.0%	8.0%	8.0%	7.9%	8.0%
Scotland - Excluding North Sea	7.8%	7.8%	7.9%	7.8%	7.7%
	As % of GDP				
Scotland	36.7%	36.4%	36.6%	39.7%	38.3%
Scotland - Excluding North Sea	38.7%	39.1%	39.2%	40.7%	40.5%
<i>UK</i>	<i>37.0%</i>	<i>37.0%</i>	<i>36.7%</i>	<i>37.1%</i>	<i>38.6%</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 £805 in 2021-22.
- 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 £221 lower than the UK average.

Table S.4: Revenue per person: Scotland and UK 2017-18 to 2021-22

	£ per person				
	2017-18	2018-19	2019-20	2020-21	2021-22
Scotland					
Scotland - Including North Sea revenue	11,480	11,960	12,090	11,457	13,463
Scotland - Excluding North Sea revenue	11,270	11,710	11,937	11,317	12,831
UK					
UK - Including North Sea revenue	11,813	12,237	12,402	11,852	13,684
UK - Excluding North Sea revenue	11,794	12,219	12,393	11,844	13,636
Difference (Scotland minus UK)					
Including North Sea revenue	-333	-277	-313	-395	-221
Excluding North Sea revenue	-524	-509	-456	-527	-805

Scotland's spending

- Table S.5 below shows estimates of public spending for Scotland. Expenditure fell from £98.5 billion in 2020-21 to £97.5 billion in 2021-22. This is the largest recorded fall in public expenditure, although it follows a record increase in 2020-21 in response to the coronavirus pandemic, and spending remains at historically high levels.
- The decline in spending reflects a reduction in spending associated with coronavirus support schemes, although direct health spending was largely unchanged. Overall, the Scottish Government spent £5.7 billion in response to the coronavirus pandemic in 2021-22, down from £8.8 billion in 2020-21. Scotland received at least a further £3.7 billion in reserved spending in response to the pandemic in 2021-21, down from £9.4 billion in 2020-21.
- Although spending on the pandemic fell in 2021-22, this has mostly been offset by increases in the cost of servicing public sector debt.
- Looking at spending relative to the size of the economy highlights the extent to which spending remains elevated. Although spending as a share of GDP has fallen from the peaks seen during 2020-21, it remains above 50% of GDP, and around 5 percentage points higher than prior to the pandemic.

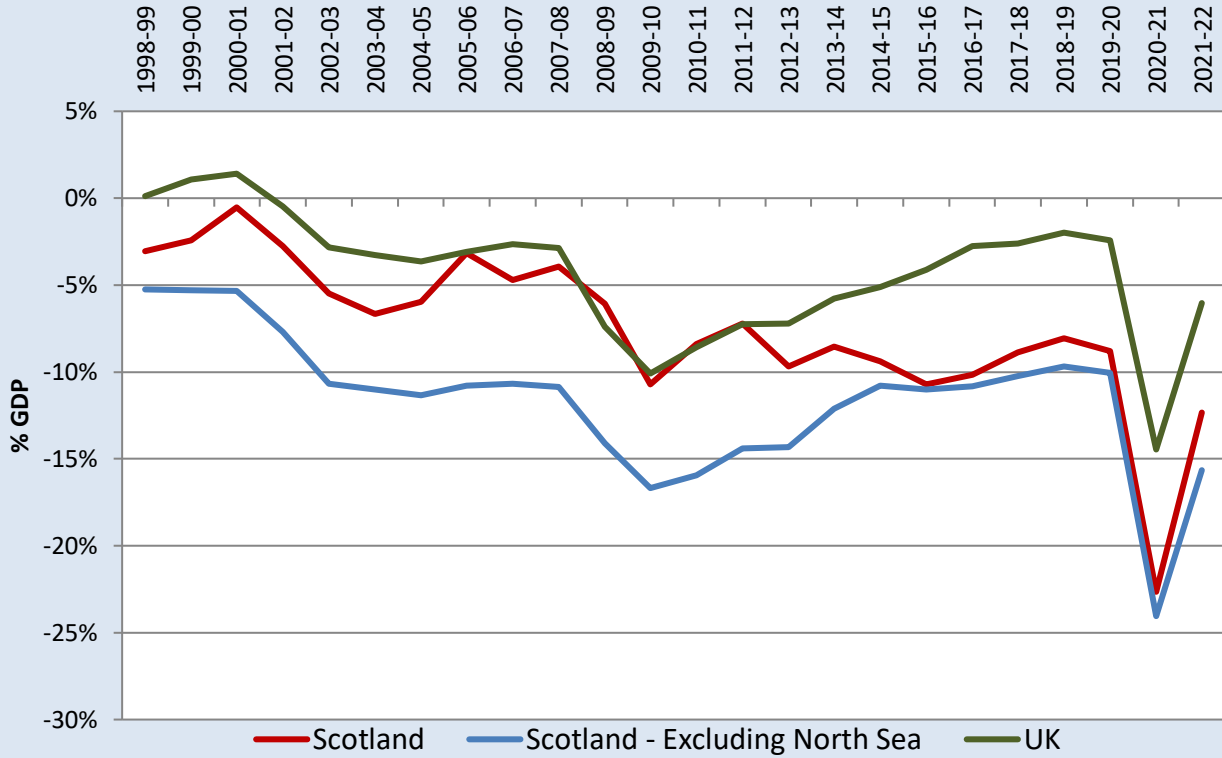
Table S.5: Total Public Sector Expenditure: 2017-18 to 2021-22

	2017-18	2018-19	2019-20	2020-21	2021-22
Scotland - £ millions	77,387	79,532	81,960	98,439	97,502
Share of UK (%)	9.3%	9.3%	9.3%	8.9%	9.2%
	As % of GDP				
Scotland	45.6%	44.4%	45.4%	62.3%	50.6%
Scotland - Excluding North Sea revenue	48.9%	48.8%	49.2%	64.8%	56.1%
UK	39.6%	39.0%	39.1%	51.6%	44.6%

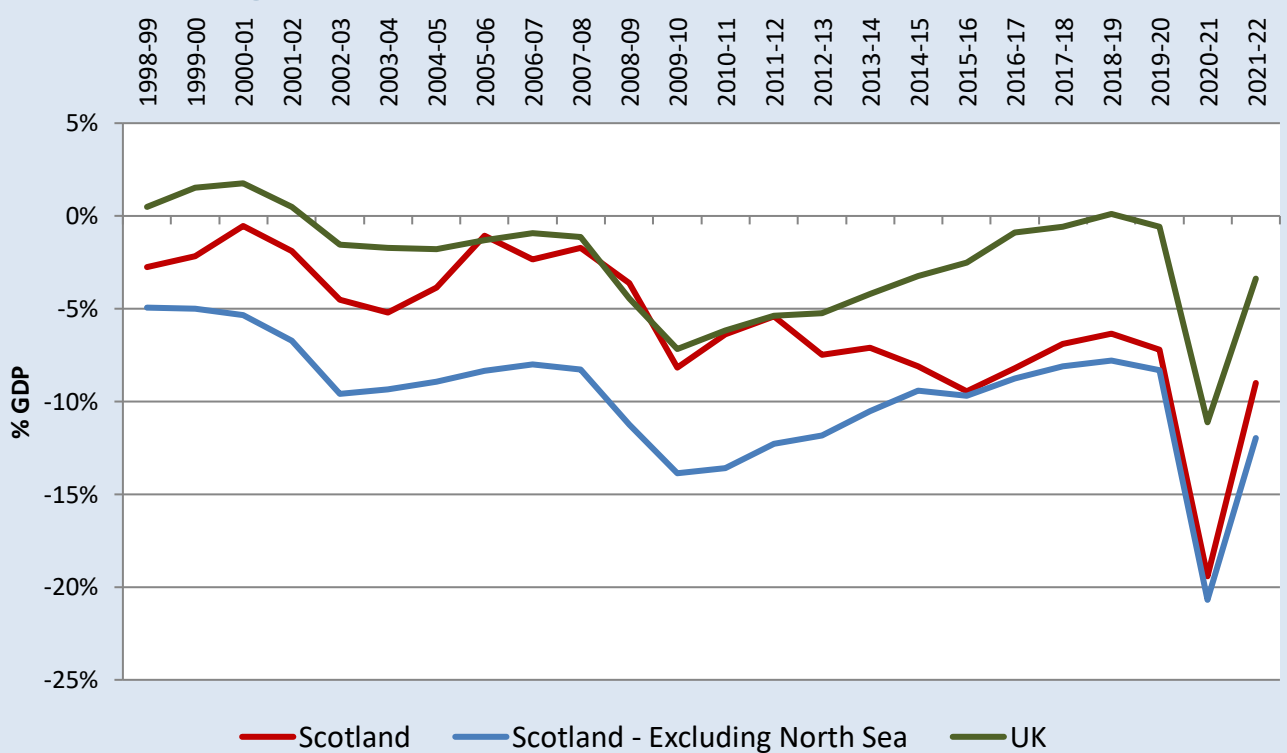
- Table S.6 below shows estimates of expenditure per person for Scotland and the UK. Expenditure for Scotland has been consistently higher per person than the UK average over the period.

Table S.6: Total Expenditure per Person: Scotland and UK 2017-18 to 2021-22					
	£ per person				
	2017-18	2018-19	2019-20	2020-21	2021-22
Scotland	14,257	14,608	15,000	17,998	17,793
UK	12,647	12,887	13,222	16,468	15,830
<i>Difference (Scotland minus UK)</i>	<i>1,610</i>	<i>1,721</i>	<i>1,778</i>	<i>1,530</i>	<i>1,963</i>

Net Fiscal Balance: Scotland & UK 1998-99 to 2021-22



Current Budget Balance: Scotland & UK 1998-99 to 2021-22



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 interest expenditure 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 £4.5 billion in 2021-22. The second is interest spending associated with public sector pension funds. These funds also generate interest income, and in 2021-22 Scotland is apportioned £2.3 billion of interest expenditure associated with public sector pensions, and £1.8 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 9.2% 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 2021-22, accounting adjustments added £7.5 billion to the estimate of Scottish public sector revenue and £9.6 billion to the estimate of Scottish public sector spending, with the difference primarily 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-ninth 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 and into 2021-22.

COVID-19 saw 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. Although revenue in 2021-22 has increased and public expenditure fallen, public sector borrowing in the UK remains higher than pre-pandemic levels.

The ONS has published an article setting out some of the challenges with measuring the Public Sector Finances at this time, available at: [Government measures to address the impact of the coronavirus pandemic, and the challenges we face in recording their effects on tax receipts - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/government/articles/2020/12/government-measures-to-address-the-impact-of-the-coronavirus-pandemic-and-the-challenges-we-face-in-recording-their-effects-on-tax-receipts)

Some of the response to the pandemic for Scotland, such as additional funding for the NHS, has been delivered by the Scottish Government, and is reflected in the Scottish Government spending in Table 3.8. Other elements, such as the Coronavirus Job Retention Scheme, which allowed firms to place their staff on

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

furlough with up to 80% of their wages paid by government, is Other UK Government Department spending. More detail on coronavirus spending is set out in Box 3.1.

This year, expenditure associated with coronavirus business loans has been included within spending on enterprise and economic development, having previously been captured through accounting adjustments. The approach to reporting and estimating the impact of COVID-19 on the GERS figures for Scotland will continue to 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. The statistical treatment of these interventions continues to be reviewed by the ONS. Since the time of the last GERS publication, some of the recording of the interventions has been updated. This includes the loan guarantee schemes issued by the UK Government. Further detail is available at:

[Recent and upcoming changes to public sector finance statistics - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/publications/articles/recent-and-upcoming-changes-to-public-sector-finance-statistics)

Since the previous edition of GERS, the main change relates to the government coronavirus loan guarantee schemes. In general, loans issued by the public sector do not immediately increase expenditure, as they may be repaid; however, an allowance for the fact some of the coronavirus loans are expected not to be repaid is included as expenditure in 2020-21. In this year's edition of GERS this is included in Other UK Government department spending on enterprise and economic development, having previously been reported as an accounting adjustment.

Scottish National Investment Bank

The Scottish National Investment Bank was launched in November 2020 to be a development investment bank and provide patient (long term) capital to businesses and projects throughout Scotland. On 30 June 2022, the ONS classified the bank as a central government body and spending associated with the bank is included within Scottish Government spending in GERS. Further information on the decision is available at:

[Public sector classification guide and forward work plan - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/publications/articles/public-sector-classification-guide-and-forward-work-plan)

Bulb Energy Limited

On 24 November 2021, the energy provider Bulb Energy Limited was placed into a Special Administration Regime (SAR) by the government. SARs are designed to ensure continued provision of essential services when providers become insolvent. As such, the government will provide the necessary funding for Bulb Energy Limited to continue to supply energy to customers, with the opportunity to recoup these funds at a later date. The SAR process differs from normal insolvency processes

followed by energy companies, where customers are transferred to a supplier of last resort.

The ONS are currently reviewing the impact of the SAR from a classifications perspective. In the meantime, Bulb Energy Limited remains part of the private sector, and its expenditure is not included within GERS.

Methodological changes in this edition of GERS

Company tax reliefs

There are a number of different tax credits available to companies. One of the larger reliefs is for research and development (R&D), such as the small and medium enterprises scheme, and the research and development expenditure credit scheme. There are also a number of smaller schemes, mainly relating to creative industries, such as tax reliefs on the production of children's television, theatre, films, and video games.

In the Country and Regional Analysis publication, Scotland is allocated a share of expenditure on company tax credits in line with its GVA share. Although comprehensive information on regional spending is not available for all the schemes, some regional information is available for the largest schemes, and this has been used to apportion this spending in this edition of GERS. We have suggested this to HM Treasury as an area where the methodology of the Country and Regional Analysis publication could be reviewed in future.

Aggregates levy

The estimates of aggregates levy in this year's publication have been aligned to those produced by the Scottish Fiscal Commission.

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 to provide services *for* residents of Scotland. That is, a particular public sector expenditure is apportioned to a region if the outcome of the expenditure is thought to provide a public service which benefits 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 service provided is more collective in nature, such as defence, an assessment of 'who the service is for' depends upon the nature of the specific type of expenditure 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

² [https://www.gov.scot/collections/economy-statistics/#governmentexpenditureandrevenuescotland\(gers\)](https://www.gov.scot/collections/economy-statistics/#governmentexpenditureandrevenuescotland(gers))

the potential to provide users with estimates of spending *in* Scotland, and information on how this would differ from spending *for* Scotland.

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 2021-22.

The GERS website can be accessed via:
[Economy statistics - gov.scot \(www.gov.scot\)](http://www.gov.scot)

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 yet available for 2021-22 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.

[Country and regional public sector finances - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

³ The latest Public Sector Finances dataset is available from [Public sector finances, UK Statistical bulletins - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

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 [HMT Public Expenditure Statistical Analyses \(PESA\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

⁵ [Country and regional analysis - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

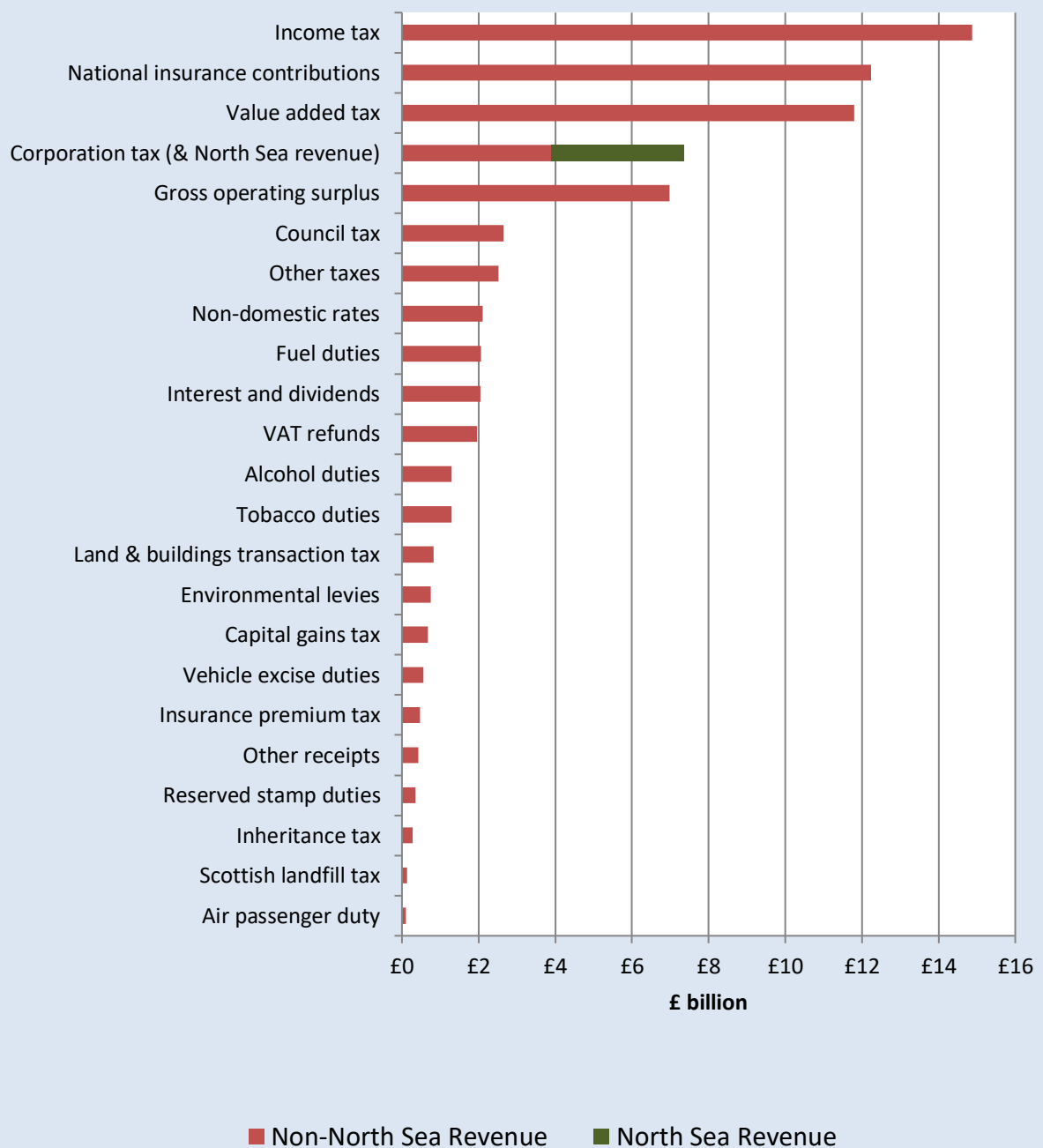
⁶ [Economy statistics - gov.scot \(www.gov.scot\)](http://www.gov.scot)

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.

Chapter 1: Public Sector Revenue

Total Public Sector Revenue: Scotland 2021-22



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 2021-22

Table 1.1 reports estimated public sector revenue in Scotland and the preliminary outturn data for the UK in 2021-22. 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 account for around two thirds of total non-North Sea revenue.

Overall, Scotland raised £73.8 billion in 2021-22, or 8.0% of total UK income. This represents an increase from a share of 7.9% in 2020-21, reflecting the growth in

⁷ [Economy statistics - gov.scot \(www.gov.scot\)](http://www.gov.scot/economy-statistics)

North Sea revenue, which grew by £2.7 billion to reach £3.5 billion in 2021-22, its highest level since 2013-14.

Excluding the North Sea revenue, Scotland's revenue increased to £70.3 billion, an increase of 13.6% as revenues began to recover from the impact of the pandemic. Scotland saw weaker growth in non-North Sea revenue than the UK, primarily due to weaker growth in income tax receipts and non-domestic rates income. For income tax, this reflects the latest 2021-22 Pay As You Earn (PAYE) income tax data from HMRC's Real Time Information system, where Scottish receipts grew by 11.6% in 2021-22 compared to growth of 14.5% for the UK as a whole. For non-domestic rates income, this will at least in part reflect the different timing and coverage of reliefs available in Scotland compared to other parts of the UK.

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 2021-22				
	Scotland		UK	Scotland as % of UK
	£ million	% of total non-North Sea taxes	£ million	
Income tax	14,875	24.4%	227,883	6.5%
National insurance contributions	12,243	20.1%	160,085	7.6%
Value added tax	11,796	19.4%	142,494	8.3%
Corporation tax (excluding North Sea)	3,898	6.4%	62,554	6.2%
Fuel duties	2,068	3.4%	25,943	8.0%
Non-domestic rates	2,108	3.5%	24,773	8.5%
Council tax	2,647	4.3%	39,598	6.7%
VAT refunds	1,964	3.2%	22,345	8.8%
Capital gains tax	683	1.1%	14,911	4.6%
Inheritance tax	281	0.5%	6,083	4.6%
Reserved stamp duties	354	0.6%	20,767	1.7%
Scottish land & buildings transaction tax	827	1.4%	827	100.0%
Scottish landfill tax	125	0.2%	125	100.0%
Air passenger duty	96	0.2%	1,189	8.1%
Tobacco duties	1,290	2.1%	10,191	12.7%
Alcohol duties	1,299	2.1%	13,206	9.8%
Insurance premium tax	474	0.8%	6,807	7.0%
Vehicle excise duties	557	0.9%	7,116	7.8%
Environmental levies	747	1.2%	6,296	11.9%
Other taxes ¹	2,524	4.1%	30,848	8.2%
Total Non-North Sea taxes	60,855	100%	824,041	7.4%
North Sea taxes²				
Population share	262		3,214	8.1%
Geographical share	3,464		3,214	107.8%
Other revenue				
Interest and dividends	2,044		23,844	8.6%
Gross operating surplus	6,983		62,140	11.2%
Other receipts	429		3,314	12.9%
Total revenue				
Excluding North Sea	70,311		913,339	7.7%
Including population share of the North Sea	70,573		916,553	7.7%
Including illustrative geographical share of the North Sea	73,776		916,553	8.0%
<i>of which: revenue accounting adjustments</i>	<i>7,454</i>		<i>77,108</i>	<i>9.7%</i>

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

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.

Scotland's share of UK total non-North Sea revenue in 2021-22 was 7.7% which is 0.5 percentage points lower than Scotland's share of the UK population, and the lowest share on record.⁸ Scotland's share of revenue has been declining over time in line with its declining population share.

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 (6.5%) 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 gross operating surplus (GOS), which includes the surpluses of public corporations. Scotland is estimated to generate approximately 11.2% 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 2017-18, at around 7.8%, but has declined slightly, in line with its share of the UK population.

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 [Total Wealth: Wealth in Great Britain - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

¹⁰ [Adult smoking habits in the UK Statistical bulletins - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

¹¹ [Family food statistics - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

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

	per cent of UK revenue				
	2017-18	2018-19	2019-20	2020-21	2021-22
Income Tax	6.6%	6.6%	6.8%	6.7%	6.5%
Corporation tax (excl North Sea)	6.2%	6.2%	6.2%	6.2%	6.2%
National insurance contributions	7.9%	7.7%	7.7%	7.6%	7.6%
Value added tax	8.4%	8.4%	8.2%	8.3%	8.3%
Council tax and non-domestic rates	8.0%	7.9%	7.7%	7.7%	7.4%
All other revenue	8.9%	9.0%	9.1%	9.0%	8.9%
Total current non-North Sea revenue	7.8%	7.8%	7.9%	7.8%	7.7%

Estimated Revenue: Scotland and the UK, 2017-18 to 2021-22

Table 1.4 shows estimated revenue in Scotland and the UK between 2017-18 and 2021-22. Non-North Sea revenue in Scotland is estimated to have grown by 14.9% between 2017-18 and 2021-22 in nominal terms, slower than the UK as a whole (17.1%). The largest single factor explaining this difference is weaker growth in national insurance receipts in Scotland, which reflects weaker growth in earnings and employment, the latter reflecting weaker population growth. The impact of this weaker earnings and employment on Scottish income tax receipts has to a degree been offset through policy changes in Scotland.

Table 1.3 shows estimates of revenue per person for Scotland and the UK between 2017-18 and 2021-22. Excluding North Sea revenue, revenue per person in Scotland is lower than in the UK by £805 in 2021-22. Including an illustrative geographical share of North Sea revenue the difference is £221, the smallest difference since 2014-15.

Table 1.3: Revenue Per Person: Scotland and UK 2017-18 to 2021-22

	£ per person				
	2017-18	2018-19	2019-20	2020-21	2021-22
Scotland					
Excluding North Sea revenue	11,270	11,710	11,937	11,317	12,831
Including North Sea revenue (population share)	11,289	11,728	11,947	11,325	12,879
Including North Sea revenue (geographical share)	11,480	11,960	12,090	11,457	13,463
UK					
Excluding North Sea revenue	11,794	12,219	12,393	11,844	13,636
Including North Sea revenue	11,813	12,237	12,402	11,852	13,684
Difference (Scotland minus UK)					
Excluding North Sea revenue	-524	-509	-456	-527	-805
Including North Sea revenue (population share)	-524	-509	-456	-527	-805
Including North Sea revenue (geographical share)	-333	-277	-313	-395	-221

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 2020-21 were published on 27 May 2022.¹²

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.

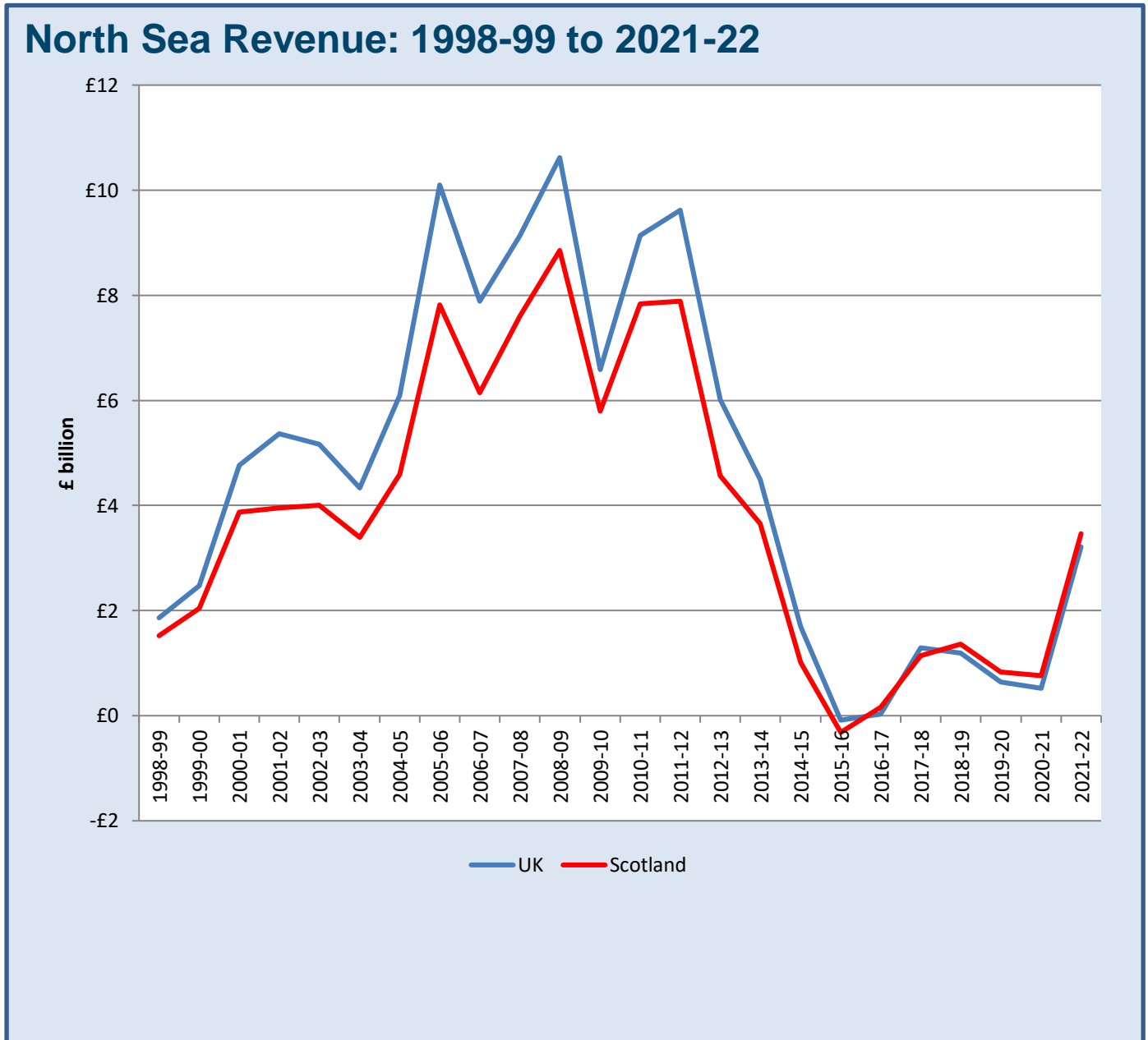
Estimates of Total Scottish Revenues 2017-18 to 2021-22					
	£ million				
	2017-18	2018-19	2019-20	2020-21	2021-22
Non-North Sea taxes					
GERS	52,725	55,292	56,166	52,976	60,855
ONS	52,352	55,115	56,412	53,370	n/a
Difference	373	177	-246	-394	n/a
Other non-North Sea receipts					
GERS	8,449	8,462	9,059	8,924	9,456
ONS	9,066	9,138	9,978	10,253	n/a
Difference	-617	-676	-919	-1,329	n/a
Geographical share of North Sea revenues					
GERS	1,141	1,361	833	765	3,464
ONS	1,141	1,340	863	760	n/a
Difference	0	21	-30	5	n/a

¹² <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/articles/countryandregionalpublicsectorfinances/financialyearending2021>

Table 1.4: Revenue: Scotland and UK 2017-18 to 2021-22

	£ million									
	Scotland					UK				
	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18	2018-19	2019-20	2020-21	2021-22
Income tax	11,912	12,769	13,069	13,010	14,875	180,609	192,499	193,557	195,556	227,883
National insurance contributions	10,362	10,643	11,211	11,016	12,243	131,627	137,534	144,713	144,033	160,085
Value added tax	10,610	11,177	11,076	9,712	11,796	126,374	133,589	134,845	117,473	142,494
Corporation tax (excluding North Sea)	3,335	3,428	3,154	3,423	3,898	53,972	55,025	50,596	54,916	62,554
Fuel duties	2,317	2,313	2,256	1,659	2,068	27,878	27,993	27,572	20,934	25,943
Non-domestic rates	2,762	2,847	2,761	1,816	2,108	30,317	31,412	31,631	19,463	24,773
Council tax	2,261	2,354	2,465	2,593	2,647	32,131	34,788	36,346	37,577	39,598
VAT refunds	1,571	1,665	1,757	1,779	1,964	17,272	18,214	18,878	20,184	22,345
Capital gains tax	310	449	450	510	683	7,793	9,197	9,826	11,130	14,911
Inheritance tax	281	252	238	247	281	5,277	5,450	5,150	5,350	6,083
UK stamp duties	296	293	296	298	354	17,212	16,699	16,972	14,637	20,767
Scottish land & buildings transaction tax	557	554	597	517	827	557	554	597	517	827
Scottish landfill tax	148	149	119	107	125	148	149	119	107	125
Air passenger duty	274	290	273	26	96	3,360	3,632	3,655	329	1,189
Tobacco duties	1,143	1,236	1,215	1,246	1,290	8,766	9,152	9,693	9,788	10,191
Alcohol duties	1,122	1,175	1,182	1,204	1,299	11,585	12,097	12,024	12,156	13,206
Insurance premium tax	387	421	453	438	474	5,898	6,306	6,480	6,306	6,807
Vehicle excise duties	498	520	548	545	557	6,378	6,667	7,000	6,964	7,116
Environmental levies	674	752	746	747	747	5,850	6,487	6,397	6,296	6,296
Other taxes	1,903	2,004	2,300	2,082	2,524	24,159	24,491	27,708	25,006	30,848
Total Non-North Sea taxes	52,725	55,292	56,166	52,976	60,855	697,163	731,935	743,759	708,722	824,041
North Sea taxes										
Population share of North Sea revenue	106	98	53	43	262	1,297	1,196	643	522	3,214
Illustrative geographical share of North Sea revenue	1,141	1,361	833	765	3,464	1,297	1,196	643	522	3,214
Other receipts										
Interest and dividends	1,760	1,817	1,911	1,984	2,044	21,131	22,116	23,626	23,601	23,844
Gross operating surplus	6,261	6,203	6,708	6,523	6,983	58,357	55,235	57,745	58,645	62,140
Other receipts	428	442	440	418	429	3,365	3,569	3,549	3,242	3,314
Total revenue (excl North Sea revenue)	61,174	63,754	65,225	61,900	70,311	780,016	812,855	828,679	794,210	913,339
Total revenue (incl pop share North Sea revenue)	61,280	63,852	65,277	61,942	70,573	781,313	814,051	829,322	794,732	916,553
Total revenue (incl geog share North Sea revenue)	62,315	65,114	66,057	62,665	73,776	781,313	814,051	829,322	794,732	916,553
<i>Of which, revenue accounting adjustment</i>	<i>6,442</i>	<i>6,690</i>	<i>6,947</i>	<i>7,102</i>	<i>7,454</i>	<i>65,540</i>	<i>68,322</i>	<i>70,611</i>	<i>73,253</i>	<i>77,108</i>

Chapter 2: North Sea Revenue



2 North Sea Revenue

Introduction

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

Table 2.1 shows the revenue raised from each component of North Sea revenue since 2017-18. UK North Sea revenue was £1.3 billion in 2017-18, and gradually declined to £0.5 billion in 2020-21, reflecting declines in corporation tax receipts. However, driven by large increases in oil and gas prices, receipts increased by £2.7 billion in 2021-22 to reach £3.2 billion, their highest level since 2013-14.

Table 2.1: Composition of North Sea Revenue: UK 2017-18 to 2021-22

	£ million				
	2017-18	2018-19	2019-20	2020-21	2021-22
Licence fees	72	73	68	72	72
North Sea corporation tax	1,793	1,867	984	691	3,697
Petroleum revenue tax	-568	-744	-409	-241	-555
Total	1,297	1,196	643	522	3,214

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 2021-22 there were sustained increases oil and gas prices. The oil price increased from \$18.38 per barrel in April 2021 to \$117.25 in March 2022, whilst gas prices rose from 55 p per therm to 314p. Initially, these increases reflected increases in demand for oil and gas as economic restrictions associated with from COVID-19 were lifted, accompanied by an emerging supply gap in the global market as production and global supplies were slow to increase in line with demand in the global market. This was reflected with oil priced at \$70 per barrel and gas above 200 pence per therm by December 2021. In March 2022, the escalation of the Russian-Ukraine conflict resulted in international sanctions and a reduction in supplies from Russia, a key market player, and prices increased further. as countries switched their imports to alternative markets and the competition for supplies increased.^{13 14 15}

Overall North Sea production of oil and gas fell by 16.8% in 2021 to 76 million tons of oil equivalent.¹⁶ Falls were similar across both commodities, with oil production falling by 16.6% and gas by 17.2%.

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

¹⁴ [ICE NBP Nat Gas \(NGLNMc1\) | Stock Price & Latest News | Reuters](https://www.reuters.com)

¹⁵ [Wholesale market indicators | Ofgem](https://www.ofgem.gov.uk)

¹⁶ [UK Energy in Brief 2022 \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk)

In 2021 total expenditure on the UK Continental Shelf increased by 4% in real terms compared to 2020, to stand at £12.15 billion. The increase was primarily due to an increase in exploration and appraisal (E&A) and decommissioning, which were up 16% and 18% respectively in real terms. Capital expenditure decreased by 11% and operating costs increased 10% respectively in real terms.¹⁷

The UK fiscal regime in 2021-22 consisted of offshore Ring Fence Corporation Tax (RFCT) at 30%, Petroleum Revenue Tax (PRT) at 0% and a Supplementary Charge (SC) of 10%.¹⁸ On May 2022, the UK Government introduced a new Energy Profits Levy, which is an additional 25% tax on UK oil and gas profits on top of the existing 40% headline rate of tax, taking the combined rate of tax on profits to 65%.¹⁹

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.²⁰

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.

¹⁷ [North Sea Transition Authority \(NSTA\): Production and expenditure projections - Data downloads and publications - Data centre \(nstauthority.co.uk\)](https://www.nstauthority.co.uk/data-downloads-and-publications)

¹⁸ PRT is an allowable deduction in calculating profits subject to RFCT and SC. Equally, any refund of PRT is a taxable receipt for RFCT and SC purposes. RFCT and SC are charged on the same profit base, so neither is allowable as a deduction in calculating the profits chargeable to the other.

¹⁹ Applied on profits from the 26th May 2022 and including an Investment Allowance which made energy companies eligible for tax savings worth 91p in every £1 on investments in fossil fuel extraction in the UK.

²⁰ [Statistics of government revenues from UK oil and gas production July 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/statistics-of-government-revenues-from-uk-oil-and-gas-production-july-2021)

Table 2.2: Population Share of North Sea Revenue: Scotland 2017-18 to 2021-22

	£ million				
	2017-18	2018-19	2019-20	2020-21	2021-22
Total North Sea revenue	1,297	1,196	643	522	3,214
Scotland's population share	106	98	53	43	262
Scotland's share of North Sea revenue (%)	8.2%	8.2%	8.2%	8.1%	8.1%

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..

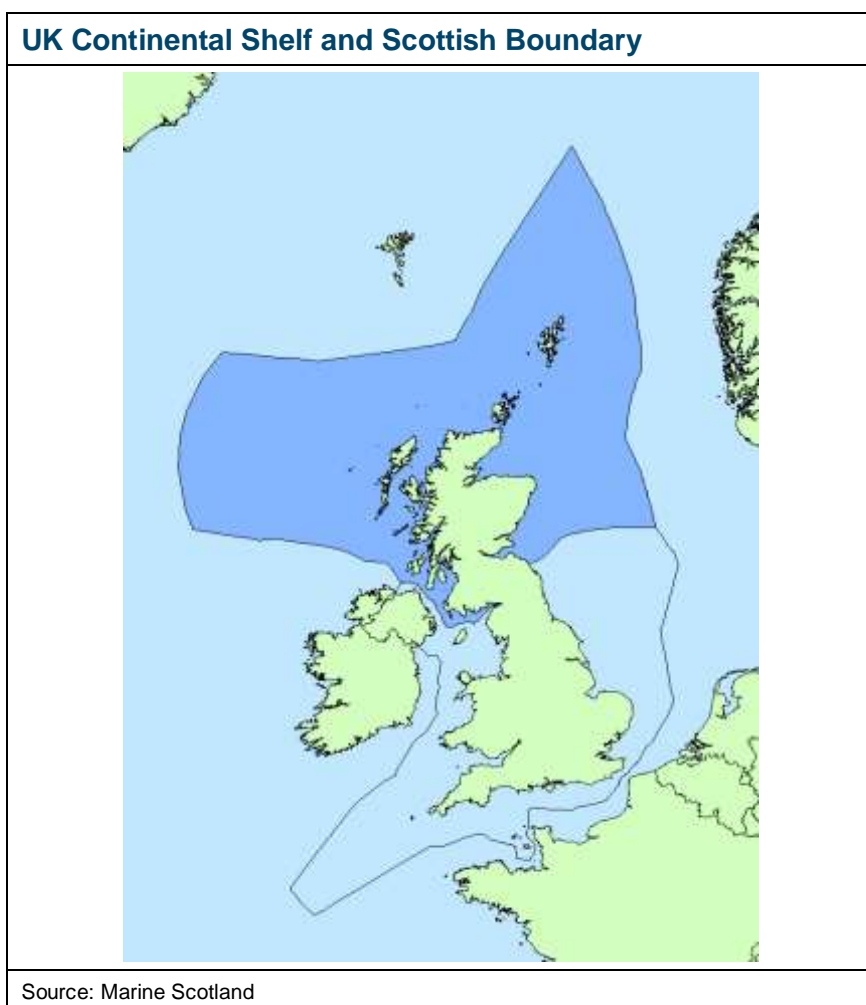
Following the rise in oil and gas prices in 2021-22, North Sea receipts have risen to their highest level since 2013-14. This reduces the importance of tax refunds in overall tax receipts, which had led to Scotland's share of corporation tax receipts rising to above 100% since 2019-20. This rise in taxes is expected to reverse the recent increases in Scotland's share of North Sea corporation tax from the high seen in 2020-21.

2 North Sea Revenue

Table 2.3: Geographical Share of North Sea Revenue: Scotland 2017-18 to 2022-23

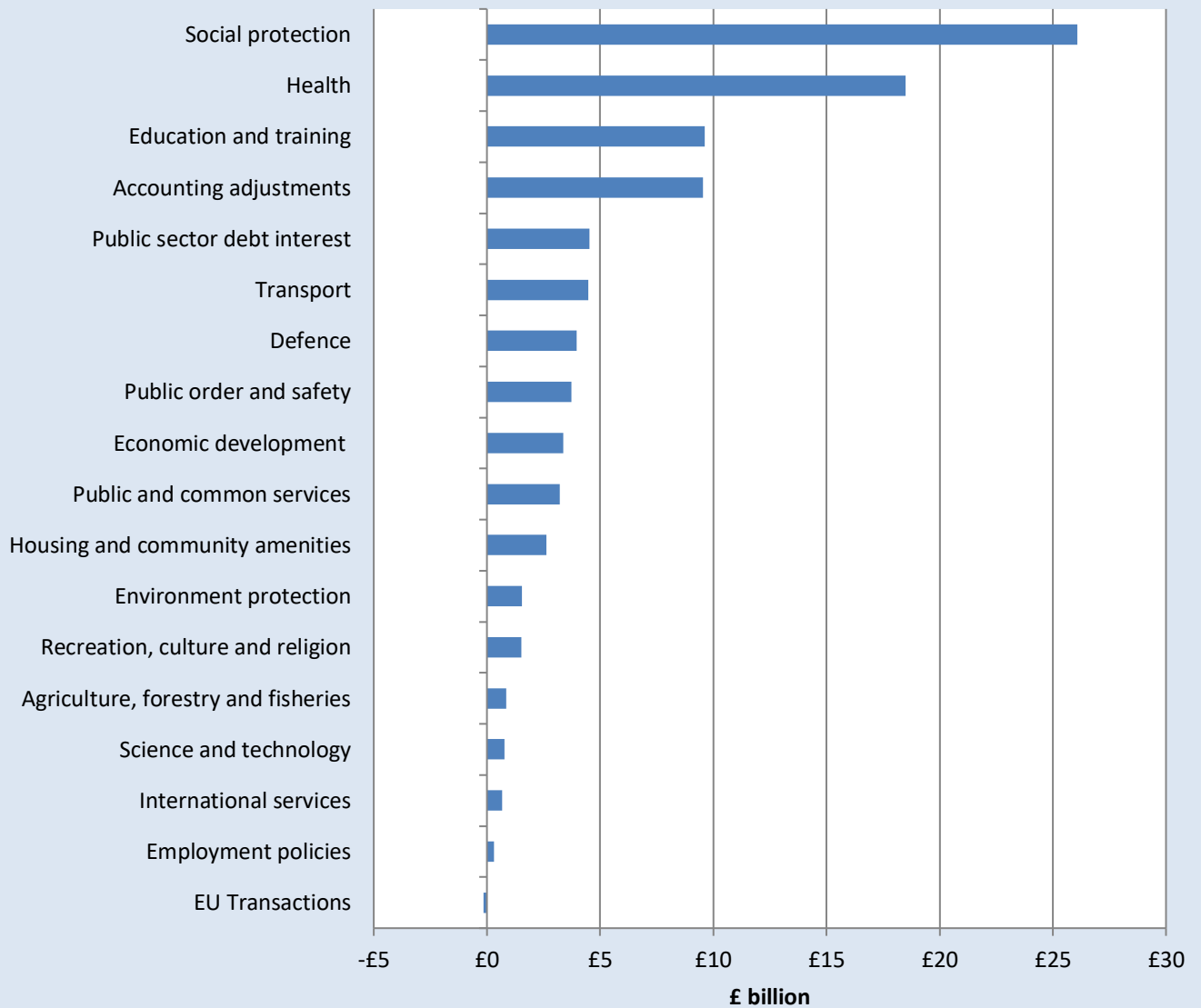
	£ million				
	2017-18	2018-19	2019-20	2020-21	2021-22
UK revenue	1,297	1,196	643	522	3,214
Licence fees	72	73	68	72	72
North Sea corporation tax	1,793	1,867	984	691	3,697
Petroleum revenue tax	-568	-744	-409	-241	-555
Scottish geographical revenue	1,141	1,361	833	765	3,464
Licence fees	64	64	70	84	72
North Sea corporation tax	1,585	1,634	999	812	3,697
Petroleum revenue tax	-507	-337	-236	-131	-305
Scottish share of UK	88.0%	113.8%	129.5%	146.6%	107.8%
Licence fees	88.4%	88.0%	103.1%	117.0%	100.0%
North Sea corporation tax	88.4%	87.5%	101.5%	117.5%	100.0%
Petroleum revenue tax	89.2%	45.3%	57.7%	54.3%	54.9%

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 2021-22



3

Public Sector Expenditure

Introduction

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

The primary data sources used to estimate Scottish public sector expenditure in GERS are Scottish Government spending reported on the UK Government's public spending system, OSCAR, and HM Treasury's Public Expenditure Statistical Analyses (PESA)²¹ and the supporting Country and Regional Analysis (CRA).²²

Spending by the Scottish Government is provided directly by the Scottish Government Directorate for Financial Management. Scottish Local Government spending in all years is taken from HM Treasury's PESA publication. Spending by other UK government departments spending is based on PESA for 2021-22 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.

[Economy statistics - gov.scot \(www.gov.scot\)](http://www.gov.scot)

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 2021-22 is estimated to be £97.5 billion, a decrease of 1.0% from 2020-21. This fall in spending, the first time spending has fallen in cash terms since 2013-14, reflects the beginning of the scaling back of the response to the coronavirus pandemic, which 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.

²¹ [HMT Public Expenditure Statistical Analyses \(PESA\) - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

²² [Country and regional analysis - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

Table 3.1 shows a breakdown of spending by category.

Table 3.1: Total Expenditure: Scotland 2021-22		
	Scotland	
	£ million	% of total expenditure
General public services		
Public and common services	3,218	3.3%
International services	664	0.7%
Reserved public sector debt interest	4,527	4.6%
Local government pension fund interest expenditure	2,335	2.4%
Defence	3,958	4.1%
Public order and safety	3,731	3.8%
Economic affairs		
Enterprise and economic development	3,369	3.5%
Science and technology	776	0.8%
Employment policies	315	0.3%
Agriculture, forestry and fisheries	861	0.9%
Transport	4,480	4.6%
Environment protection	1,537	1.6%
Housing and community amenities	2,624	2.7%
Health	18,488	19.0%
Recreation, culture and religion	1,509	1.5%
Education and training	9,632	9.9%
Social protection	26,076	26.7%
EU transactions	-156	-0.2%
Accounting adjustments	9,557	9.8%
Total Expenditure	97,502	100%

Table 3.2 below shows growth in current and capital spend in Scotland by organization in 2021-22, compared to the UK. Spending fell more slowly in Scotland than the UK as a whole in 2021-22. This is primarily due to increased capital spending in Scotland offsetting falls in current spending. The increases in capital spending are driven by increases by local authorities, including ring-fenced local authority spending on housing which is reported as public corporation spending in GERS (the 'Housing Revenue Account').

Box 3.1: 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 £8.8 billion in 2020-21 and £5.7 billion in 2021-22 response to the health, economic, and social challenges caused by the coronavirus pandemic.²³ Whilst this is captured in the Scottish Government spending figures in GERS, it is not separately identifiable from non-pandemic related spend.

The table below summarises some of the key Scottish Government spend in response to coronavirus. This spending has been primarily delivered via grants to local authorities, which means that it cannot be directly reported using the categories of spend used in GERS. Further detail is set out at:

[Scotland's financial response to Covid-19 | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/scotland-financial-response-covid-19)

Scottish Government spending in response to coronavirus (£ million)

	2020-21	2021-22
Grants to local councils	4,292	1,500
Health and social care	2,755	2,642
Transport	646	470
Other	1,084	1,122
Total	8,777	5,734

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. Further details are on these schemes was set out in Box 3.1 of last year's edition of GERS.

An additional element of reserved spending is included this year, in the form of coronavirus business loans. The spending here is currently shown only for 2020-21, and represents the value of loans issued in this year which is not expected to be repaid.

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, with smaller schemes such as the Eat Out to Help Out scheme not included.

²³ [Covid-19: Tracking the impact of Covid-19 on Scotland's public finances | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/covid-19-tracking-impact-scotland-public-finances)

Major reserved coronavirus spending for Scotland (£ millions)

	2020-21	2021-22	Scottish share
Coronavirus Job Retention Scheme ¹	4,710	860	8.1%
Self-employment Income Support Scheme ¹	1,195	515	6.1%
Coronavirus business loans ²	1,213		5.9%
Welfare spending ³	1,349	1,402	6.9%
Health spending ⁴	945	886	7.2%
Total	9,412	3,664	7.2%

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

² HM Treasury Country and Regional Analysis. Includes Coronavirus Business Interruption Loan Scheme (CBILS), Coronavirus Large Business Interruption Loan Scheme (CLBILS) and the Bounce Back Loan Scheme (BBLs)

³ OBR Economic and Fiscal Outlook March 2021, Scottish Government calculations

⁴ 2020-21: National Audit Office Coronavirus cost tracker, Scottish Government calculations. 2021-22: OSCAR in-year spend data, Scottish Government calculations. UK spending includes some elements which are not reserved, leading to Scottish share being below a population share.

Table 3.2: Expenditure growth: 2020-21 to 2021-22 (£ million)

	Scotland			UK growth
	2020-21	2021-22	Growth	
Current expenditure	87,552	85,628	-2.2%	-3.9%
Scottish Government	36,396	37,230	2.3%	2.3%
Local Government	16,025	16,315	1.8%	-7.6%
Public Corporations	-	-	-	-
Other UK Government bodies	35,131	32,083	-8.7%	-3.0%
Capital expenditure	10,887	11,874	9.1%	-4.9%
Scottish Government	3,822	3,939	3.0%	3.0%
Local Government	1,853	2,492	34.5%	9.2%
Public Corporations	1,135	1,605	41.3%	31.4%
Other UK Government bodies	4,076	3,839	-5.8%	-11.6%
Total expenditure	98,439	97,502	-1.0%	-4.0%
Scottish Government	40,219	41,169	2.4%	2.4%
Local Government	17,878	18,807	5.2%	-6.1%
Public Corporations	1,135	1,605	41.3%	31.4%
Other UK Government bodies	39,207	35,921	-8.4%	-3.9%

Notes:

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

Table 3.3 shows the split of total expenditure between current and capital for Scotland. As noted above, increased capital spending by local authorities has offset falling current expenditure, and leads to an increase in capital spending as a share of overall spending.

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Table 3.3: Current and Capital Expenditure (% of Total Expenditure): Scotland					
	per cent				
	2017-18	2018-19	2019-20	2020-21	2021-22
Current	88.6%	88.7%	89.0%	88.9%	87.8%
Capital	11.4%	11.3%	11.0%	11.1%	12.2%

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 fallen to 56.1% in 2021-22, although it remains around 5 percentage points higher than before the pandemic.

Although overall spending in Scotland fell more slowly than for the UK in 2021-22, spending as a share of GDP fell faster. This reflects faster nominal GDP growth in Scotland in 2021-22.

Table 3.4: Total Managed Expenditure as a Share of GDP					
	per cent of GDP				
	2017-18	2018-19	2019-20	2020-21	2021-22
Scottish TME as a Share of GDP:					
Excluding North Sea GDP	48.9%	48.8%	49.2%	64.8%	56.1%
Including population share of North Sea GDP	48.5%	48.3%	48.8%	64.5%	55.5%
Including geographical share of North Sea GDP	45.6%	44.4%	45.4%	62.3%	50.6%
UK TME as a share of GDP:					
100% of North Sea GDP	39.6%	39.0%	39.1%	51.6%	44.6%

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 increased in 2021-22, with spend per person 12.4% points higher. This increase reflects the reduction of spending in response to the coronavirus pandemic, where Scotland broadly received a population increase of UK spending. As this spending comes to an end, the difference between Scottish and UK spending should return to pre-pandemic levels.

As noted previously, water and sewerage services are provided by the public sector in Scotland, but by the private sector in England and Wales, leading to relatively higher spending in Scotland. This explains slightly less than one percentage point of the difference in spend.

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				
	2017-18	2018-19	2019-20	2020-21	2021-22
Scotland	14,257	14,608	15,000	17,998	17,793
UK	12,647	12,887	13,222	16,468	15,830
<i>Difference (Scotland minus UK)</i>	<i>1,610</i>	<i>1,721</i>	<i>1,778</i>	<i>1,530</i>	<i>1,963</i>
<i>Difference between Scottish and UK</i>	<i>12.7%</i>	<i>13.4%</i>	<i>13.4%</i>	<i>9.3%</i>	<i>12.4%</i>

Box 3.2 Social protection spending in Scotland

Social protection spending is the largest single spending line in GERS, and covers a range of different spend types.

The largest spending element within social protection is expenditure on the state pension by the Department for Work and Pensions (DWP). This is followed by DWP's spending on other social security such as 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)

	2017-18	2018-19	2019-20	2020-21	2021-22
Social security spending in Scotland					
State pension	7,919	8,154	8,313	8,501	8,715
Housing benefit	1,671	1,588	1,441	1,380	1,286
Universal credit	313	766	1,486	2,909	3,016
Other DWP social security	5,749	5,682	5,476	2,719	3,660
HMRC child benefit and tax credits	2,681	2,380	2,076	1,832	1,540
Scottish Government social security	419	745	830	3,892	4,015
Social security spending in Scotland	18,752	19,316	19,622	21,233	22,231
Share of benefit spending outside	340	352	358	366	372
Share of corporate spend	249	270	234	294	370
Other social protection					
Net public sector pensions	735	935	356	242	163
Social care for the elderly	2,178	2,290	2,477	2,611	2,752
Other	1,063	1,060	1,112	1,353	189
Total social protection	23,317	24,221	24,159	26,099	26,076

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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.

[Benefit expenditure and caseload tables - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/benefit-expenditure-and-caseload-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 2017-18 to 2021-22

	£ million														
	Current					Capital					Total				
	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18	2018-19	2019-20	2020-21	2021-22
General public services															
Public and common services	1,298	1,354	1,903	1,784	2,821	350	265	238	335	397	1,648	1,619	2,140	2,118	3,218
International services	755	737	815	739	538	103	236	144	177	126	858	973	959	916	664
Public sector interest expenditure	5,458	5,025	4,871	4,301	6,862	0	0	0	0	0	5,458	5,025	4,871	4,301	6,862
Defence	2,332	2,408	2,563	2,622	2,679	844	885	890	1,005	1,280	3,176	3,293	3,454	3,627	3,958
Public order and safety	2,716	2,845	3,011	3,186	3,519	130	140	158	222	212	2,846	2,985	3,168	3,408	3,731
Economic affairs															
Enterprise and economic development	815	904	1,077	7,715	3,003	366	500	486	1,650	366	1,181	1,403	1,562	9,365	3,369
Science and technology	181	186	182	188	199	304	332	347	590	576	485	518	529	778	776
Employment policies	228	242	177	191	306	8	4	0	6	9	237	246	177	197	315
Agriculture, forestry and fisheries	794	814	810	805	704	121	112	94	120	157	916	926	904	925	861
Transport	1,665	1,704	1,836	2,644	2,267	1,890	1,723	1,878	1,961	2,213	3,555	3,427	3,714	4,605	4,480
Environment protection	893	906	919	927	988	330	354	524	532	549	1,223	1,260	1,443	1,459	1,537
Housing and community amenities	159	213	137	216	269	1,689	2,012	2,184	1,870	2,354	1,848	2,225	2,321	2,086	2,624
Health	12,328	12,596	13,301	17,428	17,764	475	486	466	621	725	12,803	13,082	13,767	18,049	18,488
Recreation, culture and religion	1,061	1,169	1,115	1,265	1,252	255	235	238	201	257	1,316	1,404	1,353	1,466	1,509
Education and training	7,499	7,883	8,388	8,946	8,589	995	765	870	1,120	1,043	8,494	8,648	9,258	10,066	9,632
Social protection	23,259	24,135	24,048	25,972	25,920	58	86	111	126	156	23,317	24,221	24,159	26,099	26,076
EU Transactions	415	600	473	595	-156	0	0	0	0	0	415	600	473	595	-156
Accounting adjustments	6,695	6,799	7,292	8,029	8,104	917	878	417	351	1,453	7,612	7,677	7,709	8,380	9,557
Total	68,551	70,519	72,915	87,552	85,628	8,836	9,013	9,045	10,887	11,874	77,387	79,532	81,960	98,439	97,502

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Table 3.7: Total Expenditure: UK 2017-18 to 2021-22

	£ million														
	Current					Capital					Total				
	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18	2018-19	2019-20	2020-21	2021-22
General public services															
Public and common services	10,098	10,220	11,809	15,205	24,455	2,381	2,576	2,657	3,385	3,199	12,479	12,796	14,466	18,590	27,655
International services	9,176	8,998	9,954	9,059	6,537	1,255	2,879	1,759	2,167	1,551	10,431	11,877	11,713	11,226	8,088
Public sector interest expenditure	60,064	54,542	52,933	41,822	72,848	0	0	0	0	0	60,064	54,542	52,933	41,822	72,848
Defence	28,399	29,422	31,358	32,247	32,901	10,271	10,816	10,887	12,335	15,707	38,670	40,238	42,245	44,582	48,608
Public order and safety	29,437	30,438	32,253	35,893	39,394	2,032	1,975	2,272	2,996	2,900	31,469	32,413	34,525	38,889	42,294
Economic affairs															
Enterprise and economic development	7,300	9,382	13,894	108,105	35,239	2,687	3,777	3,312	22,172	-1,463	9,987	13,159	17,206	130,277	33,776
Science and technology	1,126	1,011	1,020	1,052	1,128	3,920	5,422	5,787	6,395	6,235	5,046	6,433	6,807	7,447	7,363
Employment policies	2,512	2,632	2,253	2,543	4,099	105	47	2	77	123	2,617	2,679	2,255	2,620	4,222
Agriculture, forestry and fisheries	4,784	5,344	5,405	5,800	5,483	394	390	398	519	926	5,178	5,734	5,803	6,319	6,409
Transport	9,967	11,963	13,030	26,478	19,187	20,365	20,713	21,570	23,323	26,041	30,332	32,676	34,600	49,801	45,228
Environment protection	7,274	7,377	7,909	8,523	8,983	4,529	3,685	3,912	4,435	4,898	11,803	11,062	11,821	12,958	13,881
Housing and community amenities	2,979	3,086	3,257	3,697	3,446	8,377	8,961	10,901	9,884	11,813	11,356	12,047	14,158	13,581	15,260
Health	141,033	145,899	156,509	204,993	207,572	6,304	7,019	7,630	13,576	9,212	147,337	152,918	164,139	218,569	216,784
Recreation, culture and religion	9,306	9,267	9,398	10,806	10,355	2,173	2,119	2,534	2,112	2,443	11,479	11,386	11,932	12,918	12,798
Education and training	77,088	79,051	82,248	86,215	91,009	8,967	8,999	8,365	9,309	9,241	86,055	88,050	90,613	95,524	100,250
Social protection	268,245	274,261	275,347	298,673	297,846	483	551	468	639	840	268,728	274,812	275,815	299,312	298,686
EU transactions	5,360	7,850	5,828	6,999	-1,830	0	0	0	0	0	5,360	7,850	5,828	6,999	-1,830
Accounting adjustments	68,912	70,040	75,301	81,254	82,860	19,146	16,594	11,959	11,611	25,122	88,058	86,634	87,260	92,866	107,982
Total	743,060	760,783	789,706	979,364	941,514	93,389	96,523	94,413	124,935	118,787	836,449	857,306	884,119	1,104,299	1,060,301

Table 3.8a: Total Current Expenditure: Scottish Government, Local Authorities, Public Corporations, and Other UK Government: Scotland 2017-18 to 2021-22

	£ million														
	Scottish Government, LAs and Public Corporations					Other UK Government					Total				
	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18	2018-19	2019-20	2020-21	2021-22
General public services															
Public and common services	835	906	1,385	1,176	1,474	463	448	518	607	1,347	1,298	1,354	1,903	1,784	2,821
International services	1	1	1	1	5	754	736	814	738	532	755	737	815	739	538
Public sector interest expenditure	1,731	1,825	1,767	2,293	2,335	3,727	3,200	3,104	2,008	4,527	5,458	5,025	4,871	4,301	6,862
Defence	3	3	3	6	3	2,329	2,405	2,560	2,616	2,676	2,332	2,408	2,563	2,622	2,679
Public order and safety	2,519	2,639	2,784	2,850	3,061	196	205	227	336	457	2,716	2,845	3,011	3,186	3,519
Economic affairs															
Enterprise and econ development	495	496	473	791	663	320	408	603	6,924	2,340	815	904	1,077	7,715	3,003
Science and technology	3	0	2	1	1	178	186	180	187	198	181	186	182	188	199
Employment policies	0	0	0	0	0	228	242	177	191	306	228	242	177	191	306
Agriculture, forestry and fisheries	779	805	783	785	685	15	9	27	20	18	794	814	810	805	704
Transport	1,271	1,269	1,394	2,071	1,844	394	435	441	573	423	1,665	1,704	1,836	2,644	2,267
Environment protection	840	854	833	861	881	53	53	85	66	107	893	906	919	927	988
Housing and community amenities	159	213	137	216	269	0	0	0	0	0	159	213	137	216	269
Health	12,252	12,537	13,237	16,519	16,874	76	59	65	909	890	12,328	12,596	13,301	17,428	17,764
Recreation, culture and religion	718	816	752	954	937	344	353	363	310	315	1,061	1,169	1,115	1,265	1,252
Education and training	7,472	7,868	8,366	8,932	8,575	27	15	22	13	14	7,499	7,883	8,388	8,946	8,589
Social protection	5,255	5,742	5,457	8,681	9,190	18,004	18,393	18,591	17,291	16,730	23,259	24,135	24,048	25,972	25,920
EU transactions	0	0	0	0	0	415	600	473	595	-156	415	600	473	595	-156
Accounting adjustments	5,698	5,864	6,162	6,284	6,745	997	936	1,129	1,745	1,359	6,695	6,799	7,292	8,029	8,104
Total	40,031	41,836	43,535	52,421	53,546	28,520	28,683	29,380	35,131	32,083	68,551	70,519	72,915	87,552	85,628

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Table 3.8b: Total Capital Expenditure: Scottish Government, Local Authorities, Public Corporations, and Other UK Government: Scotland 2017-18 to 2021-22

	£ million														
	Scottish Government, LAs and Public Corporations					Other UK Government					Total				
	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18	2018-19	2019-20	2020-21	2021-22
General public services															
Public and common services	254	169	138	214	312	96	96	100	121	85	350	265	238	335	397
International services	0	0	0	0	0	103	236	144	177	126	103	236	144	177	126
Public sector interest expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Defence	0	0	0	0	0	844	885	890	1,005	1,280	844	885	890	1,005	1,280
Public order and safety	107	117	128	179	184	23	23	30	42	28	130	140	158	222	212
Economic affairs															
Enterprise and econ development	355	476	457	478	520	11	24	29	1,172	-154	366	500	486	1,650	366
Science and technology	0	2	0	0	0	304	330	347	590	576	304	332	347	590	576
Employment policies	0	0	0	0	0	8	4	0	6	9	8	4	0	6	9
Agriculture, forestry and fisheries	122	110	91	119	152	0	2	3	2	5	121	112	94	120	157
Transport	1,247	1,197	1,371	1,337	1,648	643	526	508	624	565	1,890	1,723	1,878	1,961	2,213
Environment protection	85	144	324	313	319	244	210	200	219	230	330	354	524	532	549
Housing and community amenities	1,689	2,012	2,184	1,870	2,354	0	0	0	0	0	1,689	2,012	2,184	1,870	2,354
Health	408	465	450	455	665	68	21	16	166	60	475	486	466	621	725
Recreation, culture and religion	196	183	173	160	216	59	53	65	41	41	255	235	238	201	257
Education and training	995	764	869	1,120	1,043	0	1	0	0	0	995	765	870	1,120	1,043
Social protection	40	73	112	108	144	18	13	-1	18	12	58	86	111	126	156
EU transactions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounting adjustments	793	581	406	457	478	124	297	11	-106	974	917	878	417	351	1,453
Total	6,291	6,294	6,704	6,811	8,035	2,545	2,719	2,341	4,076	3,839	8,836	9,013	9,045	10,887	11,874

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. These transactions largely ended in 2021-22, but as per the Withdrawal Agreement, it continues to make payments for its outstanding commitments through the EU Financial Settlement. However, these payments are not scored as EU transactions, but instead are classed as spending on public and common services. Scotland is allocated a population share of this spending in GERS, and this is reflected in an increase in Other UK Government current expenditure on public and common services in Table 3.8a above.

Further details on the EU Financial Settlement are available from:

[Brexit: the financial settlement - a summary - House of Commons Library \(parliament.uk\)](https://www.parliament.uk/library/research-briefings/briefing/brexit-the-financial-settlement-a-summary)

Scotland did not contribute directly to the EU budget. In GERS, Scotland is assigned an estimated share of the UK contribution. In contrast, Scotland received 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.

Funding the EU Budget

There are three key sources of funding for the EU, which come from each member state:²⁴

- 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 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.

²⁴ Further detail is available from HM Treasury's European Union Finances 2020 publication: [European Union Finances Statement 2020 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/464242/eu-finances-statement-2020.pdf)

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.

Table 3.9: Transactions with the institutions of the EU, 2017-18 to 2021-22 (£ million)										
	Scotland					UK				
	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18	2018-19	2019-20	2020-21	2021-22
GNI based contribution	966	1,195	1,064	887	11	11,761	14,599	13,003	12,762	139
UK abatement	-374	-397	-339	-279	15	-4,547	-4,846	-4,149	-3,785	181
VAT-based contribution to the EU	244	257	220	183	-0	2,974	3,138	2,696	1,954	-4
Expenditure transfers to the EU	837	1,055	945	791	26	10,188	12,892	11,549	10,930	315
Receipts to cover collection costs of TOR	-57	-54	-54	-39	-1	-698	-664	-663	-585	-10
TOR	280	270	271	220	4	3,413	3,304	3,320	2,695	49
EU Financial Settlement (EUFS) net payments				-20	665				-249	8,124
Gross contribution to the EU budget	1,060	1,271	1,162	972	29	12,903	15,531	14,206	12,791	8,478
Public sector EU receipts	-364	-401	-418	-157	-180	-4,130	-4,378	-5,059	-3,346	-2,136
Net contributions to the EU budget	695	870	744	815	-151	8,773	11,154	9,147	9,445	6,343
<i>EU transactions (net contributions to EU institutions less TOR and EUFS)</i>	<i>415</i>	<i>600</i>	<i>473</i>	<i>595</i>	<i>-155</i>	<i>5,360</i>	<i>7,850</i>	<i>5,827</i>	<i>6,999</i>	<i>-1,830</i>

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

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

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:

[Infrastructure investment - Government finance - gov.scot \(www.gov.scot\)](http://www.gov.scot/resources/consultation-papers/collections/documents/Infrastructure-investment-Government-finance-2017.pdf)

Unitary Charge Payments

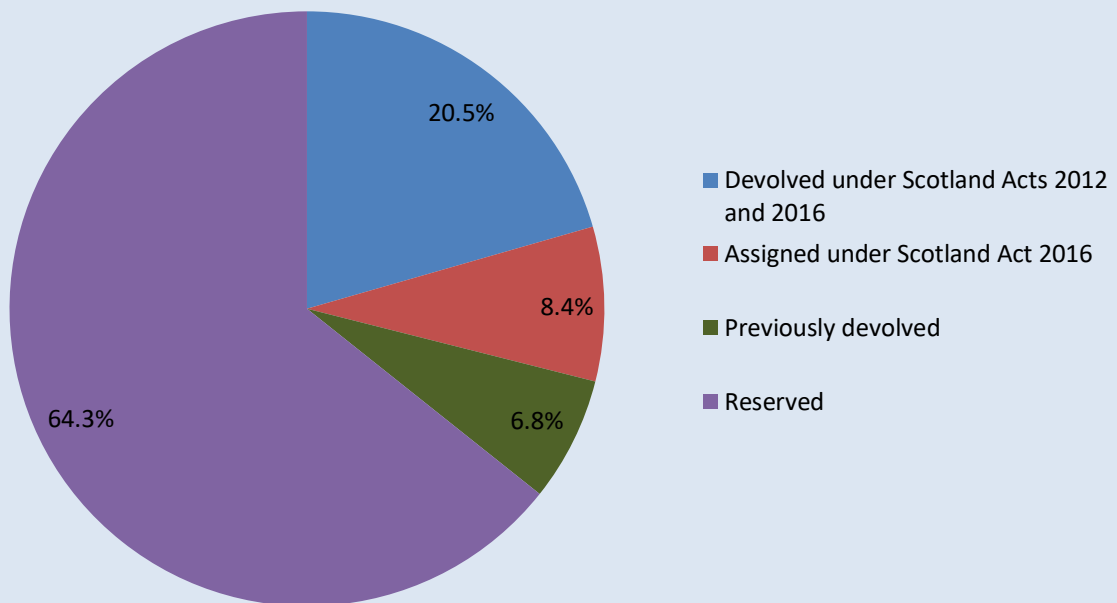
Payments for both PFI and NPD projects take the form of a unitary charge which is usually paid annually over the lifetime of the contract. It is worth emphasising that these payments are already fully reflected in the GERS spending figures. In addition, the table below includes Ministry of Defence projects 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 2021-22 to be consistent with other tables in this report. The underlying spreadsheets on the GERS website have data covering the period back to 1998-99 as well as estimated payments into the 2040s. Additional information about the individual procuring authority (e.g. individual local authority and health board information) and comparisons with the UK are also provided.

Scotland: Unitary charge payments, 2017-18 to 2021-22					
	£ million				
	2017-18	2018-19	2019-20	2020-21	2021-22
By scheme type					
Private Finance Initiative	1,013	1,027	1,046	1,060	1,063
Non-Profit Distributing models ¹	189	262	330	353	360
Total Unitary Charge payments	1,202	1,289	1,376	1,413	1,423
By procuring authority					
Further Education	35	35	35	35	36
Local Government	548	585	606	640	641
NHS	273	298	327	340	349
Other Scottish Government	169	191	224	213	214
Ministry of Defence	26	26	24	22	21
Scottish Water	151	155	160	162	162
Total Unitary Charge payments	1,202	1,289	1,376	1,413	1,423
By sector of project					
Energy	5	-	-	-	-
Further Education	35	35	35	35	36
Health	273	298	327	340	349
IT	-	-	-	-	-
Ministry of Defence	26	26	24	22	21
Offices	3	3	3	3	3
Police	4	5	5	5	5
Prisons	47	48	50	52	52
Schools	502	545	565	599	600
Transport	138	158	190	177	178
Waste	169	172	178	180	180
Total Unitary Charge payments	1,202	1,289	1,376	1,413	1,423
<i>UK Total Unitary Charge Payments</i>	<i>10,773</i>	<i>10,158</i>	<i>10,212</i>	<i>10,045</i>	<i>9,896</i>
<i>Scotland as % UK</i>	<i>11.2%</i>	<i>12.7%</i>	<i>13.5%</i>	<i>14.1%</i>	<i>14.4%</i>

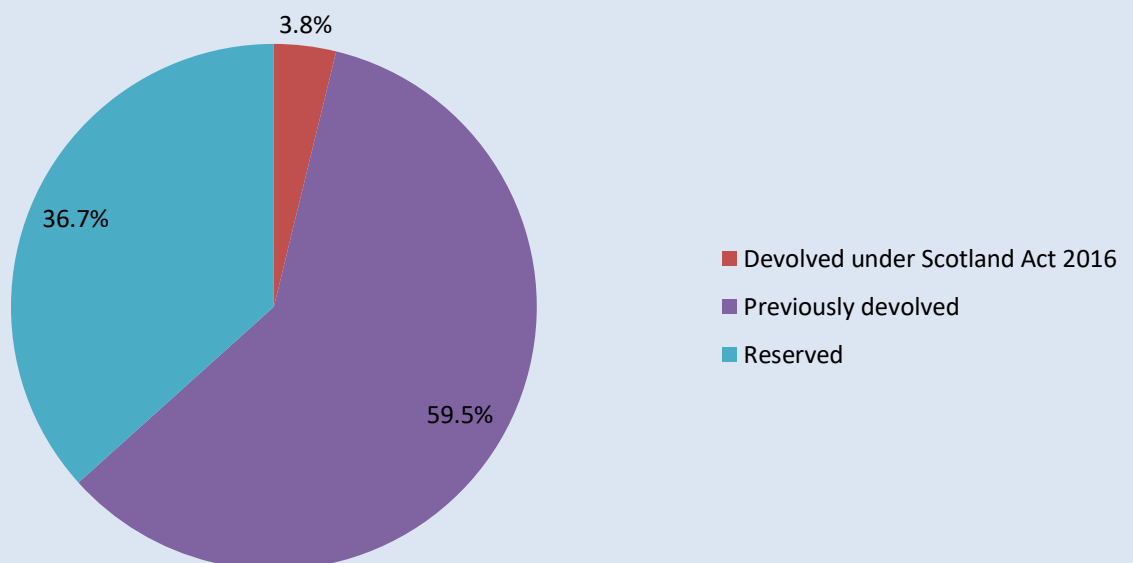
¹ Non-profit distributing models includes projects delivered by the hub model and projects commissioned prior to 2010. Further detail is available at: [Infrastructure investment - Government finance - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/infrastructure-investment-government-finance-2021-22/pages/infrastructure-investment-government-finance-2021-22.aspx)
Source: HM Treasury and Scottish Government figures. See the accompanying spreadsheet for full details of all sources

Chapter 4: Devolved Revenue and Expenditure

Devolved and Reserved Revenue in Scotland 2021-22



Devolved and Reserved Expenditure in Scotland 2021-22



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 2021-22 is estimated at £19.0 billion.

Table 4.1: Currently devolved taxes					
	£ million				
	2017-18	2018-19	2019-20	2020-21	2021-22
Council tax	2,261	2,354	2,465	2,593	2,647
Non-domestic rates	2,762	2,847	2,761	1,816	2,108
Land and buildings transaction tax (devolved from 2015-16)	557	554	597	517	827
Scottish landfill tax (devolved from 2015-16)	148	149	119	107	125
Non-savings and non-dividend income tax liabilities (devolved from 2016-17) ¹	10,916	11,556	11,833	11,948	13,342
Total devolved taxes	16,644	17,460	17,775	16,981	19,049

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 2021-22 is the SFC forecast from January 2022.

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				
	2017-18	2018-19	2019-20	2020-21	2021-22
Air passenger duty (date of devolution to be decided)	274	290	273	26	96
Aggregates levy (date of devolution to be decided)	57	55	61	57	58
VAT assignment (in transition from 2019-20)	5,305	5,589	5,538	4,856	5,898

Note: Assigned VAT receipts are 50% of total receipts in all years. Whilst this is appropriate when the standard rate of VAT is 20%, VAT on the hospitality and other industries was reduced to 5% in July 2020, and then increased to 12.5% in October 2021. This is not

4 Devolved Revenue and Expenditure

reflected in the current estimates. HMRC will set out more detail of Scottish assigned VAT relating to 2020-21 in September 2022.

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.²⁵ Further information on the funding received by the Scottish Government is set out in the Fiscal Framework Outturn Report.²⁶

Devolved Social Security

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

	£ million				
	2017-18	2018-19	2019-20	2020-21	2021-22
Council tax reduction	327	331	335	374	359
Scottish welfare fund	33	35	38	49	54
Discretionary housing payments	59	62	66	76	79
Total	419	429	443	443	492

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.

²⁵ [The agreement between the Scottish government and the United Kingdom government on the Scottish government's fiscal framework - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/agreements/the-agreement-between-the-scottish-government-and-the-united-kingdom-government-on-the-scottish-governments-fiscal-framework)

²⁶ [Fiscal framework outturn report: 2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/fiscal-framework-outturn-report-2021/pages/11.aspx)

Table 4.4: Devolved social security under Scotland Act 2016					
	£ million				
	2017-18	2018-19	2019-20	2020-21	2021-22
Administered by Social Security Scotland					
Best Start Grant (previously Sure Start maternity grant ¹)	2	4	21	18	29
Funeral Support Payment (previously Funeral Payment ²)	5	5	4	11	11
Scottish Child Payment				6	55
Carer's Allowance Supplement			37	59	59
Child Winter Heating Assistance				3	3
Administered by Department and Work and Pensions under an Agency Agreement					
Attendance Allowance	492	506	531	528	524
Carer's Allowance	249	266	279	296	295
Disability living allowance	999	893	801	722	697
Personal independence payment	930	1,138	1,332	1,626	1,784
Industrial injuries disablement benefit	82	82	82	83	81
Severe disablement allowance	12	10	9	7	7
Benefits yet to be devolved					
Cold weather payments	22	10	29	21	0
Winter fuel payment	176	173	171	171	172
Total expenditure on social security to be devolved	2,969	3,086	3,295	3,551	3,718

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

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.²⁷ Further information on the funding received by the Scottish Government is set out in the Fiscal Framework Outturn Report.²⁸

²⁷ [The agreement between the Scottish government and the United Kingdom government on the Scottish government's fiscal framework - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/agreements/the-agreement-between-the-scottish-government-and-the-united-kingdom-government-on-the-scottish-government-s-fiscal-framework)

²⁸ [Fiscal framework outturn report: 2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/fiscal-framework-outturn-report-2021/pages/introduction/)

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, 2021-22 (£ million)		
	Before Scotland Acts 2012 and 2016	After Scotland Acts 2012 and 2016
Non-saving non-dividend income tax liabilities (devolved from 2016-17)	-	13,342
Council tax	2,647	2,647
Non-domestic rates	2,108	2,108
Land and buildings transaction tax (devolved from 2015-16)	-	827
Scottish landfill tax (devolved from 2015-16)	-	125
Air passenger duty (date to be decided)	-	96
Aggregates levy (date to be decided)	-	58
Total devolved taxes	4,755	19,203
Devolved taxes as % of non-North Sea Scottish revenue	7%	27%
as % of revenue incl geographical share of North Sea revenue	6%	26%
Assigned VAT (in transition from 2019-20)	-	5,898
Total devolved and assigned taxes	4,755	25,101
Devolved and assigned taxes as % of non-North Sea Scottish revenue	7%	36%
as % of taxes incl geographical share of North Sea revenue	6%	34%
Devolved expenditure including housing benefit ¹ (HB)	58,036	61,753
Devolved taxes as % of estimated devolved expenditure	8%	31%
Devolved and Assigned taxes as % of estimated devolved expenditure	8%	41%

¹ In GERS and the CRA, housing benefit is included in Scottish local government spending, as they make the payments to recipients, although it is set centrally and funded by the Department for Work and Pensions. Depending on definitions adopted, it could either be excluded or included in devolved expenditure.

A Supplementary Tables

This section presents supplementary tables on public sector revenue and expenditure in Scotland.

Table A.1 below shows the population figures used in calculating per head estimates in GERS.

Table A.1: Financial Year Population Estimates (thousands)					
	2017-18	2018-19	2019-20	2020-21	2021-22
Scotland	5,428	5,444	5,464	5,469	5,480
UK	66,139	66,526	66,868	67,056	66,980
As % of UK total	8.2%	8.2%	8.2%	8.2%	8.2%

Note: Financial year estimates are calculated as the weighted average of the relevant mid-year estimates. I.e., the 2019-20 population is estimated as three-quarters of the 2019 population plus one quarter of the 2020 population.

Table A.2 below shows the relationship between revenue, current expenditure, and the current budget balance, and then the transition from the current budget balance to the net fiscal balance.

Table A.2: Current and Capital Budgets: Scotland					
	£ million				
	2017-18	2018-19	2019-20	2020-21	2021-22
Current Budget					
Revenue					
Excluding North Sea revenue	61,174	63,754	65,225	61,900	70,311
Including North Sea revenue (population share)	61,280	63,852	65,277	61,942	70,573
Including North Sea revenue (geographical share)	62,315	65,114	66,057	62,665	73,776
Current expenditure	68,551	70,519	72,915	87,552	85,628
Capital consumption	5,450	5,942	6,164	5,783	5,499
Balance on current budget (surplus is positive, deficit is negative)					
Excluding North Sea revenue	-12,827	-12,708	-13,854	-31,435	-20,816
Including North Sea revenue (population share)	-12,721	-12,610	-13,802	-31,392	-20,554
Including North Sea revenue (geographical share)	-11,686	-11,347	-13,021	-30,670	-17,352
Capital Budget					
Capital expenditure	8,836	9,013	9,045	10,887	11,874
Capital consumption	-5,450	-5,942	-6,164	-5,783	-5,499
Net Investment	3,386	3,071	2,881	5,104	6,375
Net Fiscal Balance (surplus is positive, deficit is negative)					
Excluding North Sea revenue	-16,213	-15,778	-16,735	-36,539	-27,191
Including North Sea revenue (population share)	-16,106	-15,681	-16,682	-36,497	-26,929
Including North Sea revenue (geographical share)	-15,071	-14,418	-15,902	-35,774	-23,727

GDP

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

Table A.3: Scottish GDP including and excluding North Sea GDP					
	£ million				
	2017-18	2018-19	2019-20	2020-21	2021-22
Scottish GDP					
Excluding North Sea and share of UK extra-regio	158,200	162,966	166,579	151,902	173,782
Including North Sea (population share)	159,493	164,723	168,120	152,612	175,799
Including North Sea (geographical share)	169,759	179,055	180,597	157,910	192,584
UK GDP	2,111,738	2,199,704	2,260,614	2,140,996	2,376,012

Source: Quarterly National Accounts Scotland, [Economy statistics - gov.scot \(www.gov.scot\)](http://www.gov.scot); ONS

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

General Government estimates

The headline GERS figures cover the whole of the public sector. As such, they include revenue and expenditure associated with public corporations such as Scottish Water and the Bank of England. They are on a financial year basis.

When conducting international comparisons, bodies such as the European Commission and the International Monetary Fund (IMF) present figures on a calendar year basis and covering only general government; i.e., excluding public corporations. In order to help comparisons with such figures, the table below presents the GERS net fiscal balance results on this basis. As revenue and expenditure are primarily estimated on a financial year and public sector basis, the calendar year estimates below are illustrative and have been derived by apportioning the main GERS estimates.

Table A.4: Calendar year general government estimates: Scotland and UK					
	£ million				
	2017	2018	2019	2020	2021
Net Fiscal Balance					
Excluding North Sea revenue	-15,954	-16,409	-16,922	-33,230	-30,319
Including North Sea revenue (per capita share)	-15,858	-16,315	-16,839	-33,219	-30,186
Including North Sea revenue (geographical share)	-14,826	-15,186	-15,774	-32,832	-28,475
UK	-49,341	-46,950	-49,780	-269,874	-182,771
			As % of GDP		
Excluding North Sea revenue	-10.1%	-10.2%	-10.2%	-21.6%	-18.1%
Including North Sea revenue (per capita share)	-10.0%	-10.0%	-10.0%	-21.5%	-17.8%
Including North Sea revenue (geographical share)	-8.8%	-8.6%	-8.7%	-20.3%	-15.8%
UK	-2.4%	-2.2%	-2.2%	-12.6%	-7.9%

Confidence intervals

A number of the revenues in GERS are based on survey estimates. As such, they have an associated statistical uncertainty. The table below presents the 95% confidence intervals associated with these revenues. Other revenues are based on administrative data, or modelled data for which confidence intervals are not available. Estimates are not presented for these revenues. Expenditure is primarily based on administrative data, and therefore confidence intervals are not presented for expenditure.

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

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

Table A.5: Confidence intervals around survey based apportionments: Scotland					
	£ million				
	Central estimate	95% lower bound	95% upper bound	Range	Range (%)
National insurance contributions	12,243	12,035	12,451	+/-208	+/-1.7%
VAT ¹	11,796	11,230	12,363	+/-566	+/-4.8%
Tobacco duties	1,290	1,268	1,312	+/-22	+/-1.7%
Alcohol duties	1,299	1,195	1,403	+/-104	+/-8%
Betting and gaming duties	223	220	226	+/-3	+/-1.4%
Insurance premium tax	474	464	483	+/-9	+/-2%
Total survey based apportionments	27,326	26,413	28,238	+/-913	+/-3.3%

¹ The estimate of VAT uncertainty is a Scottish Government estimate, based on data published as part of the Scottish VAT Assignment experimental statistics publication²⁹

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 concerns in previous editions of the CRA have been addressed and are now reflected in both CRA 2020-21 and this GERS report, a small number of supplementary amendments to the CRA 2020-21 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.

²⁹ [Scottish VAT Assignment – Experimental Statistics 2019 - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

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:

[Economy statistics - gov.scot \(www.gov.scot\)](http://www.gov.scot)

As the CRA for 2021-22 is not yet published, there are no formal amendments to individual spending lines in 2021-22. The 2020-21 adjustments are in effect carried forward into 2021-22, 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 2021

	£ million			
	2017-18	2018-19	2019-20	2020-21
Amendments from the CRA				
High Speed 2	-26	-93	-72	-80
Nuclear-related expenditure	-56	-51	-37	-8
R&D tax credit revisions	-145	-206	-312	-332
Other minor revisions	-57	-70	-1	13
Total CRA amendments	-284	-420	-421	-406

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.

Some elements of COVID-19 expenditure continue to be captured through accounting adjustments. 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.

Table A.7: Expenditure Accounting Adjustment: UK

	£ million				
	2017-18	2018-19	2019-20	2020-21	2021-22
UK total managed expenditure (TME)	836,449	857,306	884,119	1,104,299	1,060,301
UK total expenditure on services (TES)	748,391	770,672	796,859	1,011,433	952,319
UK accounting adjustment	88,058	86,634	87,260	92,866	107,982
of which current expenditure:					
Central government capital consumption	28,636	29,098	29,996	30,761	31,785
Local government capital consumption	14,063	14,741	15,476	15,867	16,537
Current VAT refunds	15,143	16,016	16,621	17,868	19,781
Imputed subsidy from Local Authorities to the Housing Revenue Account ¹	1,124	1,403	2,183	1,941	3,692
Imputed flows for Renewable Obligation Certificates ²	5,424	6,124	6,116	6,296	6,296
Local authority pensions	200	100	0	0	0
British Transport Police Service Agreements	145	145	145	145	145
Covid-19 Grants to Local Authorities	0	0	0	23,200	14,400
Current expenditure residual	4,178	2,414	4,764	-14,824	-9,775
of which capital expenditure:					
Capital VAT refunds	2,129	2,198	2,257	2,316	2,564
Housing associations	6,330	520	165	165	165
Student loans	9,170	10,247	9,390	10,438	10,438
Capital expenditure residual	1,516	3,628	147	-1,308	11,954

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				
	2017-18	2018-19	2019-20	2020-21	2021-22
Scottish total managed expenditure (TME)	77,387	79,532	81,960	98,439	97,502
Scottish total expenditure on services (TES)	69,775	71,855	74,250	90,059	87,945
Scottish accounting adjustment	7,612	7,677	7,709	8,380	9,557
Percentage of UK accounting adjustment	8.6%	8.9%	8.8%	9.0%	8.9%
Of which current expenditure:					
Central government capital consumption	2,774	2,773	2,865	2,936	3,035
Local government capital consumption	1,443	1,513	1,588	1,629	1,697
Current VAT refunds	1,378	1,464	1,547	1,575	1,738
Imputed subsidy from Local Authorities to the Housing Revenue Account ¹	84	104	162	145	275
Imputed flows for Renewable Obligation Certificates ²	644	727	726	747	747
Local authority pensions	19	9	0	0	0
British Transport Police Service Agreements	9	12	12	12	12
Covid-19 Grants to Local Authorities	0	0	0	2,192	1,397
Current expenditure residual	344	197	392	-1,205	-796
Of which capital expenditure:					
Capital VAT refunds	194	201	210	204	225
Housing associations	443	276	0	0	0
Student loans	156	104	196	253	253
Capital expenditure residual	124	297	11	-106	974

^{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, 2021-22

	Expenditure AA	Revenue AA	Revenue line
	£ million		
Of which current expenditure:			
Central government capital consumption	3,035	3,035	Gross operating surplus
Local government capital consumption	1,697	1,697	Gross operating surplus
Current VAT refunds	1,738	1,738	VAT refunds
Imputed subsidy from Local Authorities to the Housing Revenue Account	275	-	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	1,397	-	n/a
Current expenditure residual	-796	-	n/a
Of which capital expenditure:			
Capital VAT refunds	225	225	VAT refunds
Housing associations	0	-	n/a
Student loans	253	-	n/a
Capital expenditure residual	974	-	n/a
Total accounting adjustments	9,557	7,454	

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.

[CHAPTER 5: PUBLIC SECTOR EXPENDITURE - Government Expenditure & Revenue Scotland 2013-14 - gov.scot \(www.gov.scot\)](#)

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 2020-21 rather than 2021-22, as this is the latest year for which published accounts are available for both the Scottish Government and Scottish local government. 2021-22 figures in GERS are based on provisional outturn estimates.

Table A.10: Reconciliation of published budget documents to GERS expenditure Table 3.8	
	£ billion 2020-21
Scottish Government	
Published Scottish Government budget ¹	55.4
Spending by Audit Scotland and Scottish Parliament	0.1
Public corporation (PC) capital spending	0.5
Timing differences	-0.3
Total Scottish Government & associated PC expenditure	55.8
Adjustments to align budget to CRA measure of spending	
Grants to other public sector bodies (e.g. local government)	-15.3
Pensions	-4.5
Depreciation	-0.6
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	-0.3
Final Scottish Government & PC expenditure on services for Scotland	34.0
Scottish Local Government	
Published Local Government gross current expenditure ³	17.3
Income excluding grants from Central Government ⁴	-5.0
Housing benefit	1.4
Published Local Government gross capital expenditure ⁵	2.6
Income from sales of capital assets ⁶	0.0
Final Scottish Local Government & associated PC expenditure on services for Scotland	16.3
Scottish Government, Local Government, & PC expenditure on services for Scotland	50.2
National Accounts adjustments⁷	
Capital consumption	4.6
VAT refunds	1.8
Local Government pension fund interest expenditure	2.3
Other accounting adjustments	0.4
Final Scottish Government, Scottish Local Government & PC TME	59.2

¹ Scottish Government Budget 2022-23 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 2020-21, LA Level -3. Revenue Expenditure and Income by Service and Type. Total General Fund (excluding the Housing Revenue Account and trading with the public) employee costs, operating costs, and support services costs after statutory adjustments, less interauthority 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 2020-21, publication tables Capital Expenditure (chart 3.1) and Financing (chart 3.5). All services total gross capital expenditure.

⁶ As Note 5. Total capital fund and capital receipts.

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 2020-21

Table B.1 summarises the revisions in this edition of GERS to total non-North Sea revenue. Revisions to Scottish estimates can stem from three sources: revisions to UK totals; revisions to apportionment data; and updated apportionment methodologies.

There are a number of revisions to UK revenue totals from GERS 2020-21. However these are relatively small, and overall UK revenue for 2020-21 has been revised by 0.3%. The main revisions relate to income tax, corporation tax, and non-domestic rates, where revenue has been affected by the pandemic. This is offset by upward revisions to gross operating surplus, reflecting the incorporation of train operating companies into the public sector as public corporations.

Further detail on all these revisions is available from the UK Public Sector Finances.³⁰

Table B.1: Revision to Estimates of Total Non-North Sea Revenue				
	£ million			
	2017-18	2018-19	2019-20	2020-21
Scotland				
Estimates published in GERS 2020-21	61,225	64,158	65,312	62,287
Estimates published in GERS 2021-22	61,174	63,754	65,225	61,900
Revision (£m)	-51	-404	-88	-387
UK				
Estimates published in GERS 2020-21	781,950	815,193	828,358	796,386
Estimates published in GERS 2021-22	780,016	812,855	828,679	794,210
Revision (£m)	-1,934	-2,338	321	-2,176
Scotland/UK ratio				
Estimates published in GERS 2020-21	7.8%	7.9%	7.9%	7.8%
Estimates published in GERS 2021-22	7.8%	7.8%	7.9%	7.8%
Revision (% point)	0.0%	0.0%	0.0%	0.0%

Scottish revisions broadly reflect these UK revisions, the main difference relating to national insurance contributions, where the latest outturn data has resulted in a larger downward revision to Scottish revenue.

³⁰ [Public sector finances, UK Statistical bulletins - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/publications/sector-finances)

Table B.2: Revision to Estimates of Public Sector Revenue: Scotland and UK 2020-21

	£ million		%	
	Scotland	UK	Scotland	UK
Income tax	-107	-2,575	-0.8%	-1.3%
National insurance contributions	-460	-184	-4.0%	-0.1%
Value added tax	77	-602	0.8%	-0.5%
Corporation tax (excluding North Sea)	249	4,001	7.8%	7.9%
Fuel duties	-49	25	-2.8%	0.1%
Non-domestic rates	0	-1,698	0.0%	-8.0%
Council tax	-7	-877	-0.3%	-2.3%
VAT refunds	-128	-7	-6.7%	0.0%
Capital gains tax	26	519	5.4%	4.9%
Inheritance tax	0	0	0.0%	0.0%
Reserved stamp duties	-2	1	-0.8%	0.0%
Scottish Land & Buildings transaction tax	3	3	0.5%	0.5%
Scottish landfill tax	0	0	0.2%	0.2%
Air passenger duty	-8	3	-24.6%	0.9%
Tobacco duties	-87	2	-6.5%	0.0%
Alcohol duties	-27	-291	-2.2%	-2.3%
Insurance premium tax	16	-75	3.7%	-1.2%
Vehicle excise duties	0	0	-0.1%	0.0%
Environmental levies	0	0	0.0%	0.0%
Other taxes	-122	-1,134	-5.5%	-4.3%
Total Non-North Sea taxes	-627	-2,889	-1.2%	-0.4%
Other Revenue				
Interest and dividends	-111	-1,541	-5.3%	-6.1%
Gross operating surplus	347	2,284	5.6%	4.1%
Other receipts	4	-30	0.9%	-0.9%
Total non-North Sea revenue	-	-2,176	-0.6%	-0.3%

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

Revisions to North Sea Revenue Estimates from GERS 2020-21

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 2020-21, reflecting updated both revisions to the UK total but also updates to the 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: 2017-18 to 2020-21

	£ million			
	2017-18	2018-19	2019-20	2020-21
Scotland (illustrative geographical share)				
Estimates published in GERS 2020-21	1,142	1,358	844	550
Estimates published in GERS 2021-22	1,141	1,361	833	765
Revision	0	3	-11	215
UK				
Estimates published in GERS 2020-21	1,297	1,196	643	414
Estimates published in GERS 2021-22	1,297	1,196	643	522
Revision	0	0	0	108

Revisions to Expenditure Estimates from GERS 2020-21

Table B.4 sets out the changes in estimates of public expenditure in Scotland and the UK between this report and GERS 2020-21. 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 coronavirus loan schemes. Scotland was allocated a population share of this expenditure in last year's publication. This has been revised down to be consistent with the shares published in the Country and Regional Analysis publication, which reflect the location of the businesses receiving the loans.

The main methodological change relates to the treatment of tax credits. Scotland's share of this expenditure has been reduced in order to bring it into line with the regional information published in HMRC's Corporate Tax: Research and Development Tax Credits publication:

[Corporate tax: Research and Development Tax Credits - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/corporate-tax-research-and-development-tax-credits)

Within GERS, we also assume that the share of research and development tax credits is a good approximation for wider company tax credits paid out by HMRC.

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: 2017-18 to 2020-21				
	£ million			
	2017-18	2018-19	2019-20	2020-21
Scotland				
Estimates published in GERS 2020-21	77,525	79,246	81,977	99,176
Estimates published in GERS 2021-22	77,387	79,532	81,960	98,439
Revision	-138	286	-18	-737
<i>Of which revisions to student loans</i>	-155	-181	-128	-71
UK				
Estimates published in GERS 2020-21	836,902	854,565	885,971	1,094,494
Estimates published in GERS 2021-22	836,449	857,306	884,119	1,104,299
Revision	-453	2,741	-1,852	9,805
<i>Of which revisions to student loans</i>	-723	-2,164	-4,754	-3,706
Scotland/UK Ratio				
Estimates published in GERS 2020-21	9.3%	9.3%	9.3%	9.1%
Estimates published in GERS 2021-22	9.3%	9.3%	9.3%	8.9%
Revision (% point)	0.0%	0.0%	0.0%	-0.1%

The table below shows the revisions to spend in 2020-21 by function, and by Scottish Government, Scottish local government, Scottish public corporations, and Other UK government bodies. Overall, Scottish spend in 2020-21 has been revised down by £737 million, primarily due to revisions to enterprise and economic development expenditure.

Table B.5: Revisions to Estimates of Public Sector Expenditure: Scotland and UK 2020-21

	£ million					UK
	Scotland					
	Scottish Government	Local Government	Scottish Public Corporations	Other UK Government Bodies	Total	
General public services						
Public and common services	-1	-293	0	3	-291	1,066
International services	0	0	0	-9	-9	-65
Public sector interest expenditure	0	0	0	441	441	353
Defence	0	2	0	-12	-10	25
Public order and safety	9	0	0	7	16	256
Economic affairs						
Enterprise and economic development	-66	-41	0	-1,746	-1,853	2,992
Science and technology	0	0	0	188	188	-133
Employment policies	0	0	0	-11	-11	2
Agriculture, forestry and fisheries	29	27	0	-12	44	-38
Transport	-1	21	-19	118	120	4,667
Environment protection	4	-66	0	-11	-73	379
Housing and community amenities	0	-173	-8	0	-172	-286
Health	-7	0	0	29	22	-867
Recreation, culture and religion	0	2	0	-106	-105	614
Education and training	-6	596	0	-10	580	-530
Social protection	-12	-87	0	181	82	2,071
EU Transactions	0	0	0	317	317	1,191
Accounting adjustments	-237	0	118	96	-23	-1,892
Total revision	-289	-12	91	-537	-737	9,805

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: 2017-18 to 2020-21

	£ million			
	2017-18	2018-19	2019-20	2020-21
Scotland				
Estimates published in GERS 2020-21	5,334	5,737	6,074	8,607
Estimates published in GERS 2021-22	5,450	5,942	6,164	5,783
Revision	116	205	90	-2,825

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

B Revisions

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: 2017-18 to 2020-21				
	£ million			
	2017-18	2018-19	2019-20	2020-21
Estimates published in GERS 2020-21				
Excluding North Sea revenue	-12,596	-12,086	-13,937	-35,693
Including North Sea revenue (per capita share)	-12,490	-11,989	-13,884	-35,659
Including North Sea revenue (geographical share)	-11,455	-10,728	-13,092	-35,143
<i>UK</i>	-8,349	5,406	-13,813	-242,836
Estimates published in GERS 2021-22				
Excluding North Sea revenue	-12,827	-12,708	-13,854	-31,435
Including North Sea revenue (per capita share)	-12,721	-12,610	-13,802	-31,392
Including North Sea revenue (geographical share)	-11,686	-11,347	-13,021	-30,670
<i>UK</i>	-12,123	2,336	-12,796	-238,047
Difference (£ million) (positive shows improvement)				
Excluding North Sea revenue	-231	-621	82	4,258
Including North Sea revenue (per capita share)	-231	-621	82	4,267
Including North Sea revenue (geographical share)	-231	-619	71	4,473
<i>UK</i>	-3,774	-3,070	1,017	4,789

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: 2017-18 to 2020-21

	£ million			
	2017-18	2018-19	2019-20	2020-21
Estimates published in GERS 2020-21				
Excluding North Sea revenue	-16,300	-15,088	-16,665	-36,889
Including North Sea revenue (per capita share)	-16,194	-14,990	-16,612	-36,856
Including North Sea revenue (geographical share)	-15,159	-13,729	-15,821	-36,340
<i>UK</i>	-53,655	-38,176	-56,970	-297,694
Estimates published in GERS 2021-22				
Excluding North Sea revenue	-16,213	-15,778	-16,735	-36,539
Including North Sea revenue (per capita share)	-16,106	-15,681	-16,682	-36,497
Including North Sea revenue (geographical share)	-15,071	-14,418	-15,902	-35,774
<i>UK</i>	-55,136	-43,255	-54,797	-309,567
Difference (£ million) (positive shows improvement)				
Excluding North Sea revenue	87	-691	-70	350
Including North Sea revenue (per capita share)	87	-691	-70	359
Including North Sea revenue (geographical share)	87	-688	-81	566
<i>UK</i>	-1,481	-5,079	2,173	-11,873

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. For years prior to 2020-21, estimates are largely unchanged. In 2020-21, estimates of the fiscal aggregate have worsened as a share of GDP for Scotland. These revisions reflect the downward revision to the nominal value GDP made in the Quarterly National Accounts Scotland for 2021Q3. This reflects routine annual update to bring the value of GVA in line with the latest UK regional accounts. Revisions to GDP in 2020-21 are larger than in previous years due to the challenges of measuring the economy during the pandemic.

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

	2017-18	2018-19	2019-20	2020-21
Estimates published in GERS 2020-21	% of GDP			
Excluding North Sea revenue	-8.0%	-7.4%	-8.3%	-23.1%
Including North Sea revenue (population share)	-7.9%	-7.2%	-8.2%	-22.9%
Including North Sea revenue (geographical share)	-6.8%	-6.0%	-7.3%	-21.7%
<i>UK</i>	-0.4%	0.3%	-0.6%	-11.6%
GERS 2020-21 estimate with latest GDP estimates	% of GDP			
Excluding North Sea revenue	-8.0%	-7.4%	-8.4%	-23.5%
Including North Sea revenue (population share)	-7.8%	-7.3%	-8.3%	-23.4%
Including North Sea revenue (geographical share)	-6.7%	-6.0%	-7.2%	-22.3%
<i>UK</i>	-0.4%	0.2%	-0.6%	-11.3%
Change (positive denotes improvement)	% point difference			
Excluding North Sea revenue	0.0%	0.0%	0.0%	-0.4%
Including North Sea revenue (population share)	0.0%	0.0%	0.0%	-0.5%
Including North Sea revenue (geographical share)	0.0%	0.0%	0.1%	-0.6%
<i>UK</i>	0.0%	0.0%	0.0%	0.2%

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

	2017-18	2018-19	2019-20	2020-21
Estimates published in GERS 2020-21	% of GDP			
Excluding North Sea revenue	-10.3%	-9.2%	-10.0%	-23.8%
Including North Sea revenue (population share)	-10.2%	-9.1%	-9.9%	-23.7%
Including North Sea revenue (geographical share)	-8.9%	-7.7%	-8.8%	-22.4%
<i>UK</i>	-2.6%	-1.8%	-2.6%	-14.2%
GERS 2020-21 estimate with latest GDP estimates	% of GDP			
Excluding North Sea revenue	-10.3%	-9.3%	-10.0%	-24.3%
Including North Sea revenue (population share)	-10.2%	-9.1%	-9.9%	-24.1%
Including North Sea revenue (geographical share)	-8.9%	-7.7%	-8.8%	-23.0%
<i>UK</i>	-2.5%	-1.7%	-2.5%	-13.9%
Change (positive denotes improvement)	% point difference			
Excluding North Sea revenue	0.0%	-0.1%	0.0%	-0.5%
Including North Sea revenue (population share)	0.0%	0.0%	0.0%	-0.5%
Including North Sea revenue (geographical share)	0.0%	0.0%	0.1%	-0.6%
<i>UK</i>	0.0%	0.0%	0.0%	0.3%

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.

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ISBN: 978-1-80435-763-7

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ISBN: 978-1-80435-763-7 (web only)

Published by The Scottish Government, August 2022

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1126942 (08/22)

W W W . G O V . S C O T