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# GOVERNMENT EXPENDITURE & REVENUE SCOTLAND 2022-23

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AUGUST 2023



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# Summary

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## 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 was spent on public services for Scotland?
  - To what extent did revenues cover the costs of these public services?
- GERS is a National Statistics publication. It is assessed by the independent UK Statistics Authority to ensure that it meets the standards set out in the Code of Practice for Statistics.
- The tables below provide figures for the last three years. Figures for back to 1998-99 are available in the accompanying spreadsheets online.
- 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](mailto: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.
- The results for this year's publication reflect the impact of rising inflation, driven by high energy prices, through 2022-23. There has been significant spending on support for the cost of living for households and businesses, worth £4.5 billion for Scotland in 2022-23. Spending on reserved debt interest payments, which are partly linked to inflation, has also increased sharply. These increases in spending is partially offset by a reduction in spending linked to the coronavirus pandemic, which means that spending on health falls for the first time in GERS. Rising energy prices, and the introduction of windfall taxes on the oil and gas industry, have also led to record increases in revenue from the North Sea, which is now at its highest ever level.

Table S.1: Net Fiscal Balance: Scotland and UK 2020-21 to 2022-23

	£ million		
	2020-21	2021-22	2022-23
Scotland	-37,853	-24,899	-19,139
Scotland - Excluding North Sea	-38,605	-27,345	-28,525
	As % of GDP		
Scotland	-23.4%	-12.8%	-9.0%
Scotland - Excluding North Sea	-25.4%	-15.7%	-15.1%
UK	-15.0%	-5.2%	-5.2%

- In 2022-23, Scotland's net fiscal balance as a share of GDP was -9.0%, compared to -12.8% in 2021-22. This is a fall of 3.8 percentage points for Scotland, whilst the UK deficit remained at 5.2%.
- This difference is primarily explained by the contribution of North Sea revenue and activity. Scottish North Sea revenue, grew by £6.9 billion in 2022-23 to £9.4 billion, to reach its highest ever level. However, excluding North Sea revenue, the net fiscal balance for Scotland fell by 0.6 percentage points. This reflects strong growth in receipts, discussed below.
- 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 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. In 2022-23, the deficit on the Scottish current budget balance including the North Sea also decreased by 3.8 percentage points.

Table S.2: Current Budget Balance: Scotland and UK 2020-21 to 2022-23

	£ million		
	2020-21	2021-22	2022-23
Scotland	-32,451	-19,774	-13,577
Scotland - Excluding North Sea	-33,203	-22,220	-22,963
	As % of GDP		
Scotland	-20.0%	-10.2%	-6.4%
Scotland - Excluding North Sea	-21.8%	-12.8%	-12.1%
UK	-11.6%	-3.2%	-3.2%

## 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 revenue in 2022-23 grew by £15.0 billion to £87.5 billion. This was an increase of 20.7% from 2021-22, the largest increase recorded. This reflects strong growth in North Sea receipts due to high energy prices and the introduction of the Energy Profits Levy, as well as the continuing reversal of the

## Summary

falls in revenue caused by the pandemic. Scottish revenue was 8.6% of the UK total, its highest level since 2013-14.

- Onshore revenue also recorded strong growth, increasing by 11.5%. This reflected particular growth in income tax, national insurance contributions, and VAT, all of which are affected by inflation. As a share of GDP, non-North Sea revenue rose to 41.2%, its highest level recorded in GERS.
- Scotland's share of UK non-North Sea revenue was 7.7% in 2022-23, slightly higher than in 2021-22. This rise was due to relatively stronger performance in income tax receipts, as well as non-domestic rates income after the ending of reliefs introduced during the coronavirus pandemic ended.

Table S.3: Total Revenue: 2020-21 to 2022-23			
	£ million		
	2020-21	2021-22	2022-23
Scotland	62,423	72,481	87,496
Scotland - Excluding North Sea	61,670	70,035	78,110
	As % of UK total revenue		
Scotland	7.9%	7.9%	8.6%
Scotland - Excluding North Sea	7.8%	7.6%	7.7%
	As % of GDP		
Scotland	38.6%	37.3%	41.1%
Scotland - Excluding North Sea	40.5%	40.2%	41.2%
<i>UK</i>	<i>38.1%</i>	<i>39.3%</i>	<i>40.4%</i>

- Table S.4 below shows estimates of revenue per person for Scotland and the UK. In the latest year, revenue per person was £696 higher than the UK average, the first time it has been higher since 2014-15. The difference between revenue per person in Scotland and the UK is variable and depends North Sea revenue. In 2021-22, when North Sea revenue was lower, revenue per person was £498 lower than the UK average.
- Excluding North Sea revenue, revenue per person in Scotland is lower than the UK average by £859 in 2022-23.

Table S.4: Revenue per person: Scotland and UK 2020-21 to 2022-23			
	£ per person		
	2020-21	2021-22	2022-23
<b>Scotland</b>			
Including North Sea revenue	11,413	13,227	15,967
Excluding North Sea revenue	11,275	12,780	14,254
<b>UK</b>			
Including North Sea revenue	11,833	13,725	15,271
Excluding North Sea revenue	11,826	13,685	15,113
<b>Difference (Scotland minus UK)</b>			
Including North Sea revenue	-420	-498	696
Excluding North Sea revenue	-550	-905	-859

## Scotland's spending

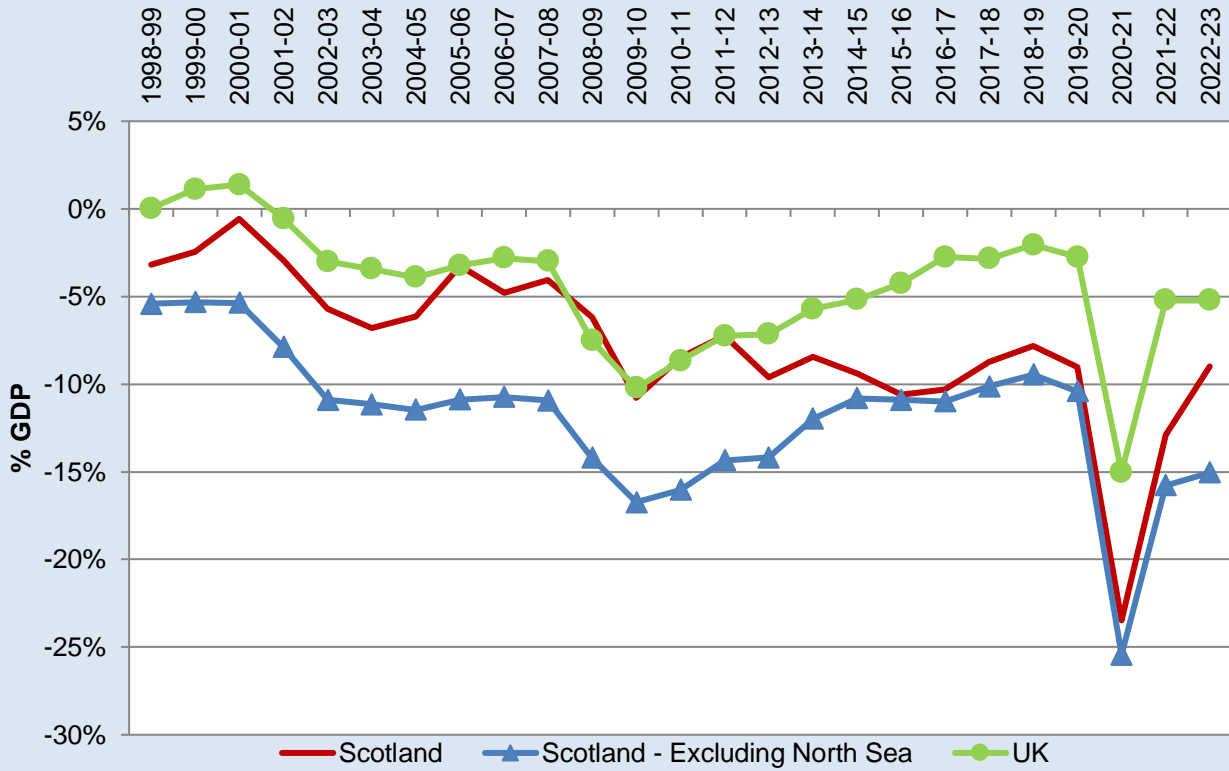
- Table S.5 below shows estimates of public spending for Scotland. Expenditure increased from £97.4 billion in 2021-22 to £106.6 billion in 2022-23. This represents a return to growth following a fall in 2021-22, when public expenditure fell relative to 2020-21 as coronavirus spending was reduced. As a share of GDP, public spending remained at historically high levels in 2022-23, at 50% of GDP, around 5 percentage points higher than prior to the pandemic.
- The increase in spending reflects an increase in reserved public sector debt interest, which has increased due to higher borrowing costs and inflation, and the introduction of Cost of Living support for households and businesses. Together, these account for almost the entire increase in spending in 2022-23. Without these increases, public spending would have remained flat, with broader increases in areas such as education being offset by falls in health spending, as spending associated with the pandemic fell.

Table S.5: Total Public Sector Expenditure: 2020-21 to 2022-23			
	2020-21	2021-22	2022-23
Scotland - £ millions	100,275	97,380	106,635
Share of UK (%)	9.1%	9.4%	9.2%
	As % of GDP		
Scotland	61.9%	50.1%	50.1%
Scotland - Excluding North Sea revenue	65.8%	55.9%	56.2%
UK	53.1%	44.5%	45.6%

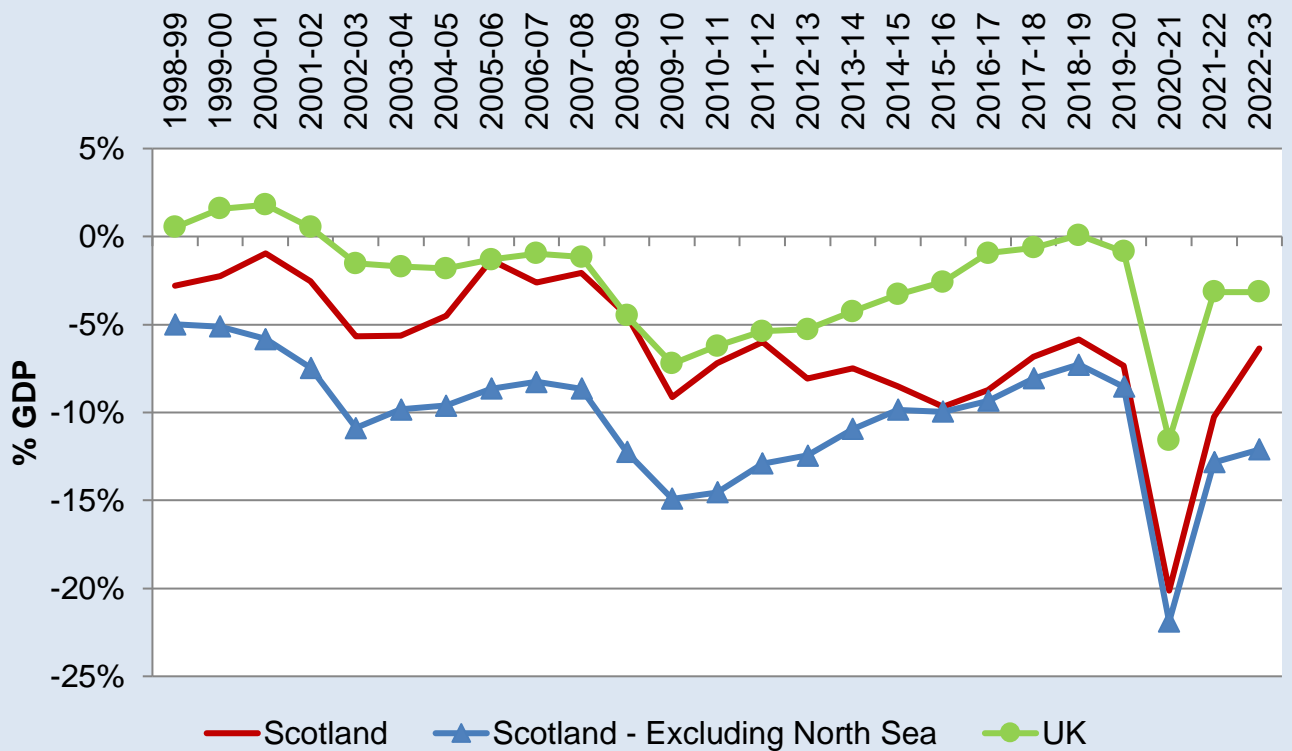
- Table S.6 below shows estimates of expenditure per person for Scotland and the UK. Expenditure for Scotland has been consistently higher per person than the UK average over the period.

Table S.6: Total Expenditure per Person: Scotland and UK 2020-21 to 2022-23			
	£ per person		
	2020-21	2021-22	2022-23
Scotland	18,334	17,770	19,459
UK	16,505	15,549	17,243
<i>Difference (Scotland minus UK)</i>	<i>1,829</i>	<i>2,222</i>	<i>2,217</i>

### Net Fiscal Balance: Scotland & UK 1998-99 to 2022-23



### Current Budget Balance: Scotland & UK 1998-99 to 2022-23



## Frequently Asked Questions

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

**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: Why is public sector spending per person higher for Scotland in GERS?**

A: Public sector spending in Scotland consists of spending on devolved services by the Scottish Government and local authorities, and spending on reserved services by the UK Government. For reserved spending such as public sector debt interest, international services, and defence, Scotland is allocated a population share of UK spending, and so spending per person on these areas is the same.

As such, spending per person for Scotland is higher primarily due to spending on devolved services. While there are no official estimates of how spending on devolved services compares in Scotland to other parts of the UK, analysis by bodies such as the Institute of Fiscal Studies<sup>1</sup> suggest that it is between 25% and 30% higher per person in Scotland. This is as a result of the Barnett formula, and slower population growth in Scotland.

**Q: Why is non-North Sea public sector revenue per person lower in Scotland?**

Excluding North Sea revenue, revenue per person is lower in Scotland. While for many revenues, revenue per person will be similar in Scotland to the UK, there are some exceptions to this. Revenues where Scotland's share of UK revenue is relatively low are those associated with property or assets, such as capital gains tax (4.0%), and inheritance tax (4.7%), reflecting that in particular properties prices tend to be lower than the UK average.<sup>2</sup> Scotland's share of income tax (6.7%) is also relatively low. In part, this reflects the shifting of income tax onto higher earners, through the introduction of the additional rate of income tax and increases in the personal allowance. Scotland has relatively fewer additional rate tax payers, with only around 4% of the UK total.

**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

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<sup>1</sup> [How and why has the Scottish Government's funding changed in recent years? | Institute for Fiscal Studies \(ifs.org.uk\)](https://www.ifs.org.uk)

<sup>2</sup> [UK House Price Index - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk)



the quarterly Gross Domestic product figures or Quarterly National Accounts Scotland (QNAS) ([Economy statistics - gov.scot \(www.gov.scot\)](https://www.gov.scot/economy-statistics)).

**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 £9.1 billion in 2022-23. The second is interest spending associated with public sector pension funds. These funds also generate interest income, and in 2022-23 Scotland is apportioned £1.8 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. Data from HMRC's Real Time Information system suggests that 9.4% of paybill across public administration and defence, education, health and social care was spent in Scotland in 2022-23.

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: 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 2022-23, accounting adjustments added £8.3 billion to the estimate of Scottish public sector revenue and £7.8 billion to the estimate of Scottish public sector spending. For more information on accounting adjustments and where they appear in the revenue tables, see Table A.9.

**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 simply on the 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.

## Preface

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This report is the thirtieth 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.<sup>3</sup>

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](mailto:economic.statistics@gov.scot)

### Recent Developments in the Public Sector Finances

The COVID-19 pandemic has had profound impacts on public health, the economy, and the public finances, particularly in 2020-21 and 2021-22. There was 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 2022-23 has continued to recover, public sector borrowing in the UK remains higher than pre-pandemic levels. Last year's publication provided a breakdown of coronavirus spending in Scotland across 2020-21 and 2021-22.

[Chapter 3 Public Sector Expenditure - Government Expenditure & Revenue Scotland \(GERS\) 2021-22 - gov.scot \(www.gov.scot\)](#)

In 2022-23, health spending has fallen by £1.6 billion as programmes such as vaccinations and Test and Trace have either been scaled back or ended. However, overall public spending still rose strongly, driven by rising debt interest payments and expenditure on schemes to support households and businesses with the rising cost of living. These included the:

- Energy Price Guarantee – which limited the amount a typical household would pay for energy to £2,500.
- Energy Bill Support Scheme – which provided a £400 discount to household energy bills over the winter, which they received across October 2022 to March 2023.
- Energy Bill Relief scheme – which ran between 1 October 2022 and 31 March 2023, and provided a limit on the price paid by businesses.
- Cost of Living Payments – payments of between £150 to £650 were made to people on low incomes, people in receipt of qualifying disability benefits, and pensioners entitled to Winter Fuel Payments.

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<sup>3</sup> [Statistics on Government Expenditure and Revenue Scotland – Office for Statistics Regulation \(statisticsauthority.gov.uk\)](#)

Overall, these interventions amounted to £4.5 billion in 2022-23. Further detail on this spending in GERS is set out in Box 3.1.

## Recent Statistical Decisions and Changes

A number of statistical changes have been made over the last year.

### Crown Estate Revenues

The Crown Estates in both Scotland and the UK have recently undertaken auctions of option rights to develop offshore wind projects. In Scotland these are known as ScotWind and in the rest of the UK the Offshore Wind Leasing Round 4. These options last for up to 10 years. Due to the different timing of the auctions in Scotland and the rest of the UK, and to different contractual arrangements, the revenues will have a slightly different profile in Scotland and the UK. The UK Crown Estate recognised £209 million of revenue from option fees in its 2022-23 Annual Report, which is expected to increase to around £900 million next year. Crown Estate Scotland has not yet published its 2022-23 accounts, but in its 2021-22 accounts set out that expects to receive £70 million in 2022-23, and then the same amount for the following nine years.

These numbers are not yet reflected in the UK Public Sector Finances, with updates due to be taken on in September. As a result, they will be reflected in the next edition of GERS.

### Bulb Energy Limited

On 24 November 2021, the energy provider Bulb Energy Limited was placed into a Special Administration Regime (SAR) by the government. This ensured continued provision of essential services to its customers.

In April 2022, the Office for National Statistics (ONS) reviewed the classification status and concluded that Bulb is a market body subject to public sector control. Therefore, Bulb was classified to the public non-financial corporations' subsector (S.11001) with effect from 24 November 2021, the date it entered special administration. For further information, see

[Recent and upcoming changes to public sector finance statistics - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/~/media/ONS/publications/articles/2022/04/20220420-recent-and-upcoming-changes-to-public-sector-finance-statistics-office-for-national-statistics-20220420.pdf)

The impact on the UK Public Sector Finances of the classification is relative small, reducing borrowing by £0.2 billion in 2022-23. This will be captured as part of the residual in the accounting adjustments, meaning Scotland implicitly receives a population share of this in GERS.

### Electricity Generators Levy

In his Autumn Statement on 17 November 2022, the Chancellor announced the introduction of a new, temporary 45% levy on exceptional electricity generation receipts, which will apply from 1 January 2023. Exceptional receipts are receipts from the production of wholesale electricity sold at an average price of more than

£75 per MWh. The levy only applies to generators who produce more than 50 GWh of electricity a year, and whose exceptional receipts are more than £10 million.

Since the legislation introducing the Electricity Generators Levy only received Royal Assent on 11 July 2023, it has not yet been collected by HMRC, and is not yet included in the UK Public Sector Finances or GERS. It will be included in future editions. Analysis by the Scottish Government suggests that around 20% of the levy will be raised from generation in Scotland.

### Methodological changes in this edition of GERS

The main methodological change in this edition of GERS relates to non-domestic rates revenue. This follows a review of their treatment in the UK public sector finances. The figures for Scottish non-domestic rates are unchanged from previous years, but there has been an update to the treatment of non-domestic rates paid by public sector bodies, which are netted off against total revenues within the 'Other receipts' line. Further details are provided in the revenue methodology document.

### 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.<sup>4</sup>

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<sup>4</sup> [Economy statistics - gov.scot \(www.gov.scot\)](http://www.gov.scot)

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## 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 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.<sup>5</sup>

The primary data sources used to estimate Scottish public sector expenditure in GERS are Scottish Government accounting data, and HM Treasury's Public

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<sup>5</sup> The latest Public Sector Finances dataset is available from [Public sector finances, UK Statistical bulletins - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/publications/bulletins/uk-statistical-bulletins). As this dataset is updated monthly and subject to minor revision, figures in future data releases may differ from those used in this report.

Expenditure Statistical Analyses<sup>6</sup> and the supporting Country and Regional Analysis (CRA).<sup>7</sup>

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).<sup>8</sup>

### **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/economy-statistics)

### **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 2022-23 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 revenue figures for Scotland is provided in Table 1.5.

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

### **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.

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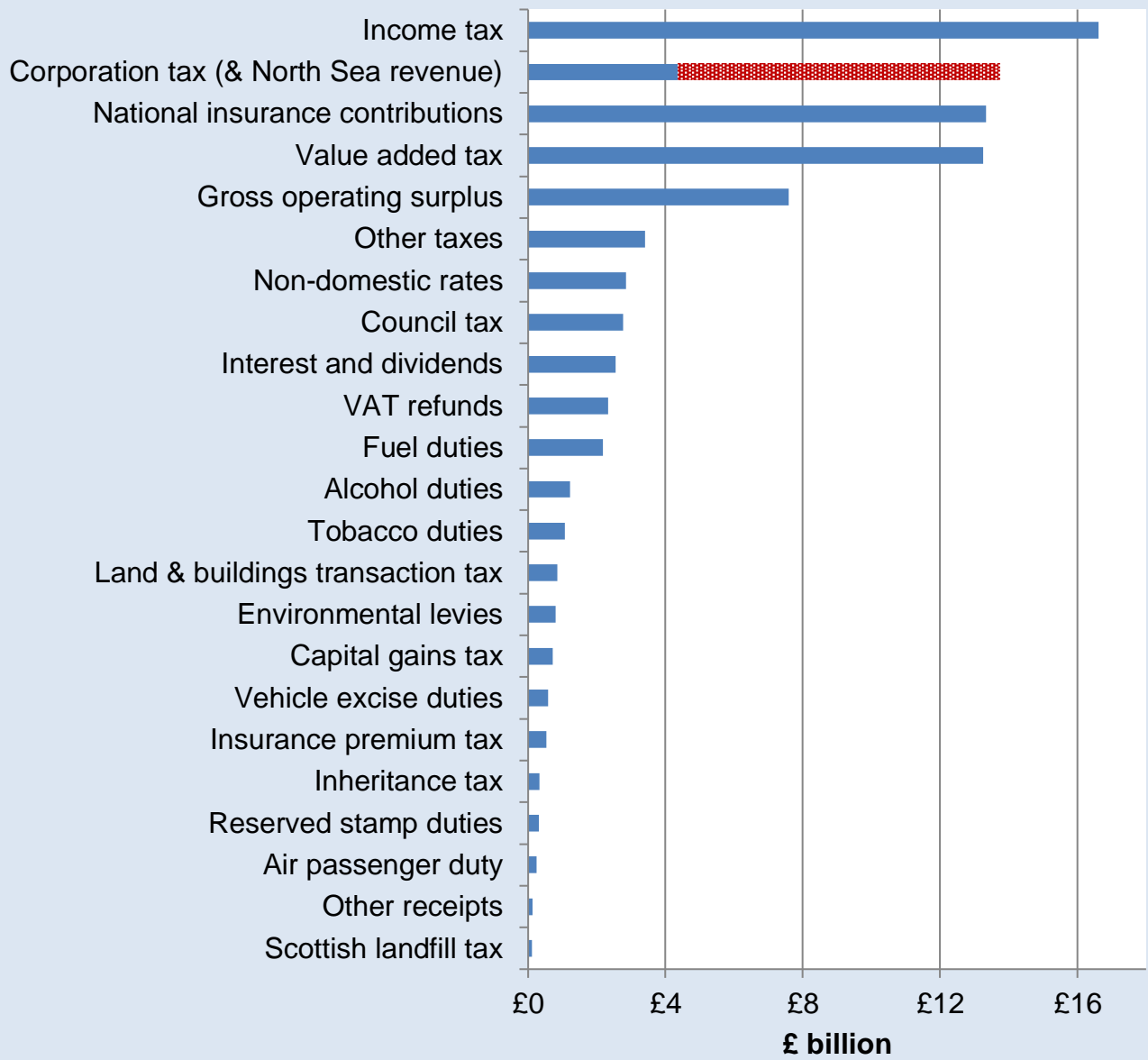
6 [HMT Public Expenditure Statistical Analyses \(PESA\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/publications/hmt-public-expenditure-statistical-analyses-pesa)

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

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

# Chapter 1: Public Sector Revenue

**Total Public Sector Revenue: Scotland 2022-23**



■ Non-North Sea Revenue    ■ North Sea Revenue



# 1

## Public Sector Revenue

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### 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.<sup>9</sup>

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 and experts. 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.

### Revenue 2022-23

Table 1.1 reports estimated public sector revenue in Scotland and the preliminary outturn data for the UK in 2022-23. 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 £87.5 billion in 2022-23, or 8.6% of total UK income. This represents an increase from a share of 7.9% in 2021-22, reflecting the growth in North Sea revenue, which grew by £6.9 billion to reach £9.4 billion in 2022-23, its

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<sup>9</sup> [Economy statistics - gov.scot \(www.gov.scot\)](https://www.gov.scot/economy-statistics)

highest ever level. Scotland has around 90% of the total UK North Sea revenue, which reached £10.6 billion in 2022-23. This is discussed further in Chapter 2.

Excluding the North Sea revenue, Scotland's revenue increased to £78.1 billion, an increase of 11.5%, as revenues continued to recover from the impact of the pandemic. Scotland saw stronger growth in non-North Sea revenue than the UK, primarily due to stronger growth in income tax receipts and non-domestic rates income.

For income tax, this reflects the latest 2022-23 Pay As You Earn (PAYE) income tax data from HMRC's Real Time Information system, where Scottish receipts grew by 11.4% in 2022-23 compared to growth of 11.0% for the UK as a whole. It also reflects stronger growth in Self-Assessment receipts relating to 2021-22 but which are recorded against 2022-23, the year they are paid.

For non-domestic rates income, which grew from £2.1 billion to £2.8 billion, this reflects the ending of reliefs related to the pandemic ended, and the stronger growth in Scotland 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.

<b>Table 1.1: Revenue: Scotland and UK 2022-23</b>				
	<b>Scotland</b>		<b>UK</b>	<b>Scotland as % of UK</b>
	<b>£ million</b>	<b>% of total non-North Sea taxes</b>	<b>£ million</b>	
Income tax	16,608	24.5%	248,740	6.7%
National insurance contributions	13,345	19.7%	176,880	7.5%
Value added tax	13,253	19.5%	161,592	8.2%
Corporation tax (excl. North Sea)	4,355	6.4%	73,112	6.0%
Fuel duties	2,172	3.2%	25,098	8.7%
Non-domestic rates	2,848	4.2%	28,035	10.2%
Council tax	2,760	4.1%	41,640	6.6%
VAT refunds	2,331	3.4%	25,095	9.3%
Capital gains tax	720	1.1%	18,052	4.0%
Inheritance tax	332	0.5%	7,121	4.7%
Reserved stamp duties	310	0.5%	19,121	1.6%
Land & buildings transaction tax	858	1.3%	858	100.0%
Scottish landfill tax	110	0.2%	110	100.0%
Air passenger duty	252	0.4%	3,268	7.7%
Tobacco duties	1,073	1.6%	9,375	11.4%
Alcohol duties	1,214	1.8%	12,411	9.8%
Insurance premium tax	528	0.8%	7,461	7.1%
Vehicle excise duties	573	0.8%	7,339	7.8%
Environmental levies	802	1.2%	6,756	11.9%
Other taxes <sup>1</sup>	3,410	5.0%	39,592	8.6%
<b>Total Non-North Sea taxes</b>	<b>67,854</b>	<b>100%</b>	<b>911,656</b>	<b>7.4%</b>
<b>North Sea taxes<sup>2</sup></b>				
Population share	865		10,570	8.2%
Geographical share	9,386		10,570	88.8%
<b>Other revenue</b>				
Interest and dividends	2,553		31,592	8.1%
Gross operating surplus	7,584		67,772	11.2%
Other receipts	120		1,274	9.4%
<b>Total revenue</b>				
<b>Excluding North Sea</b>	<b>78,110</b>		<b>1,012,294</b>	<b>7.7%</b>
<b>Population share of North Sea</b>	<b>78,975</b>		<b>1,022,864</b>	<b>7.7%</b>
<b>Geographic share of North Sea</b>	<b>87,496</b>		<b>1,022,864</b>	<b>8.6%</b>
<i>of which: revenue accounting adjustments</i>	<i>8,347</i>		<i>85,162</i>	<i>9.8%</i>

<sup>1</sup> 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 2022-23 was 7.7% which is 0.5 percentage points lower than Scotland's share of the UK population, and the second lowest share on record after 2021-22.<sup>10</sup> 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 (4.0%), and inheritance tax (4.7%). This reflects the fact that properties and assets in Scotland tend to have lower values than the UK average.<sup>11</sup> Scotland's share of income tax (6.7%) is also relatively low. In part, this reflects the increasingly progressive nature of income tax, following 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,<sup>12</sup> and also the fact that Scotland has higher consumption of spirits than the rest of the UK.<sup>13</sup>

Table 1.2 below shows Scotland's share of the largest UK revenues. Scotland's share of UK revenue in 2022-23 is broadly similar to that in 2020-21, at 7.7%, although slightly lower, in line with its falling share of the UK population.

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10 Scotland's share of the UK population in 2020-21 was 8.2%. Excluding the North Sea, Scotland's share of UK GDP was 7.5% (National Records of Scotland, Quarterly National Accounts Scotland and UK Economic Accounts).

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

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

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

	per cent of UK revenue		
	2020-21	2021-22	2022-23
Income Tax	6.7%	6.5%	6.7%
Corporation tax (excl North Sea)	6.0%	6.0%	6.0%
National insurance contributions	7.6%	7.6%	7.5%
Value added tax	8.2%	8.2%	8.2%
Council tax and non-domestic rates	7.8%	7.2%	8.0%
All other revenue	9.0%	8.9%	8.8%
<b>Total current non-North Sea revenue</b>	<b>7.8%</b>	<b>7.6%</b>	<b>7.7%</b>

### Estimated Revenue: Scotland and the UK, 2020-21 to 2022-23

Table 1.4 shows estimated revenue in Scotland and the UK between 2020-21 and 2022-23. Over this period, Non-North Sea revenue in Scotland is estimated to have grown by 26.7% in nominal terms, slightly slower than the UK as a whole (27.7%). The largest single factor explaining this difference is weaker growth in receipts from national insurance contributions in Scotland, which reflects weaker growth in earnings and employment, in part as a result of 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. Other important factors are weaker growth in capital gains tax and interest and dividends in Scotland. The latter reflects growth in interest payments from student loans in the UK.

Table 1.3 shows estimates of revenue per person for Scotland and the UK between 2020-21 and 2022-23. Revenue per person in Scotland is higher than in the UK by £696 in 2022-23, the first time that they have been higher since 2014-15. Excluding North Sea revenue, Scottish revenue is £859 lower. Note that per person figures will be subject to future revision when mid-year population estimates are published following the release of the Scottish Census 2022.

	£ per person		
	2020-21	2021-22	2022-23
<b>Scotland</b>			
Excluding North Sea revenue	11,275	12,780	14,254
Including North Sea revenue (population)	11,283	12,820	14,412
Including North Sea revenue (geographical)	11,413	13,227	15,967
<b>UK</b>			
Excluding North Sea revenue	11,826	13,685	15,113
Including North Sea revenue	11,833	13,725	15,271
<b>Difference (Scotland minus UK)</b>			
Excluding North Sea revenue	-550	-905	-859
Including North Sea revenue (population)	-550	-905	-859
Including North Sea revenue (geographical)	-420	-498	696

<b>Table 1.4: Revenue: Scotland and UK 2020-21 to 2022-23 (£ million)</b>						
	<b>Scotland</b>			<b>UK</b>		
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Income tax	12,989	14,694	16,608	195,264	224,995	248,740
National insurance contributions	11,041	12,112	13,345	144,327	160,186	176,880
Value added tax	9,685	11,754	13,253	117,473	143,415	161,592
Onshore Corporation tax	3,233	4,103	4,355	54,321	68,851	73,112
Fuel duties	1,702	2,267	2,172	20,934	25,943	25,098
Non-domestic rates	1,816	2,108	2,848	18,368	25,802	28,035
Council tax	2,564	2,640	2,760	37,577	39,970	41,640
VAT refunds	1,849	2,152	2,331	20,695	23,161	25,095
Capital gains tax	511	609	720	11,130	15,264	18,052
Inheritance tax	249	283	332	5,350	6,080	7,121
UK stamp duties	298	358	310	14,637	18,877	19,121
Land & buildings transaction tax	517	814	858	517	814	858
Scottish landfill tax	107	122	110	107	122	110
Air passenger duty	26	95	252	329	1,189	3,268
Tobacco duties	1,111	1,170	1,073	9,788	10,191	9,375
Alcohol duties	1,204	1,296	1,214	12,156	13,179	12,411
Insurance premium tax	447	481	528	6,306	6,792	7,461
Vehicle excise duties	540	558	573	6,914	7,149	7,339
Environmental levies	747	747	802	6,296	6,296	6,756
Other taxes	2,156	2,577	3,410	24,558	30,667	39,592
<b>Total Non-North Sea taxes</b>	<b>52,792</b>	<b>60,941</b>	<b>67,854</b>	<b>707,047</b>	<b>828,943</b>	<b>911,656</b>
<b>North Sea taxes</b>						
Population share	43	218	865	522	2,662	10,570
Geographical share	752	2,446	9,386	522	2,662	10,570
<b>Other receipts</b>						
Interest and dividends	2,022	2,064	2,553	24,131	24,308	31,592
Gross operating surplus	6,676	6,850	7,584	59,678	61,321	67,772
Other receipts	180	180	120	2,124	2,076	1,274
<b>Total revenue</b>						
<b>Excluding North Sea</b>	<b>61,670</b>	<b>70,035</b>	<b>78,110</b>	<b>792,980</b>	<b>916,648</b>	<b>1,012,294</b>
<b>Population share North Sea</b>	<b>61,713</b>	<b>70,253</b>	<b>78,975</b>	<b>793,502</b>	<b>919,310</b>	<b>1,022,864</b>
<b>Geographic share North Sea</b>	<b>62,423</b>	<b>72,481</b>	<b>87,496</b>	<b>793,502</b>	<b>919,310</b>	<b>1,022,864</b>
<i>Of which, revenue accounting adjustment</i>	<i>7,192</i>	<i>7,640</i>	<i>8,347</i>	<i>73,979</i>	<i>77,913</i>	<i>85,162</i>

## 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 2021-22 were published on 26 May 2023.<sup>14</sup>

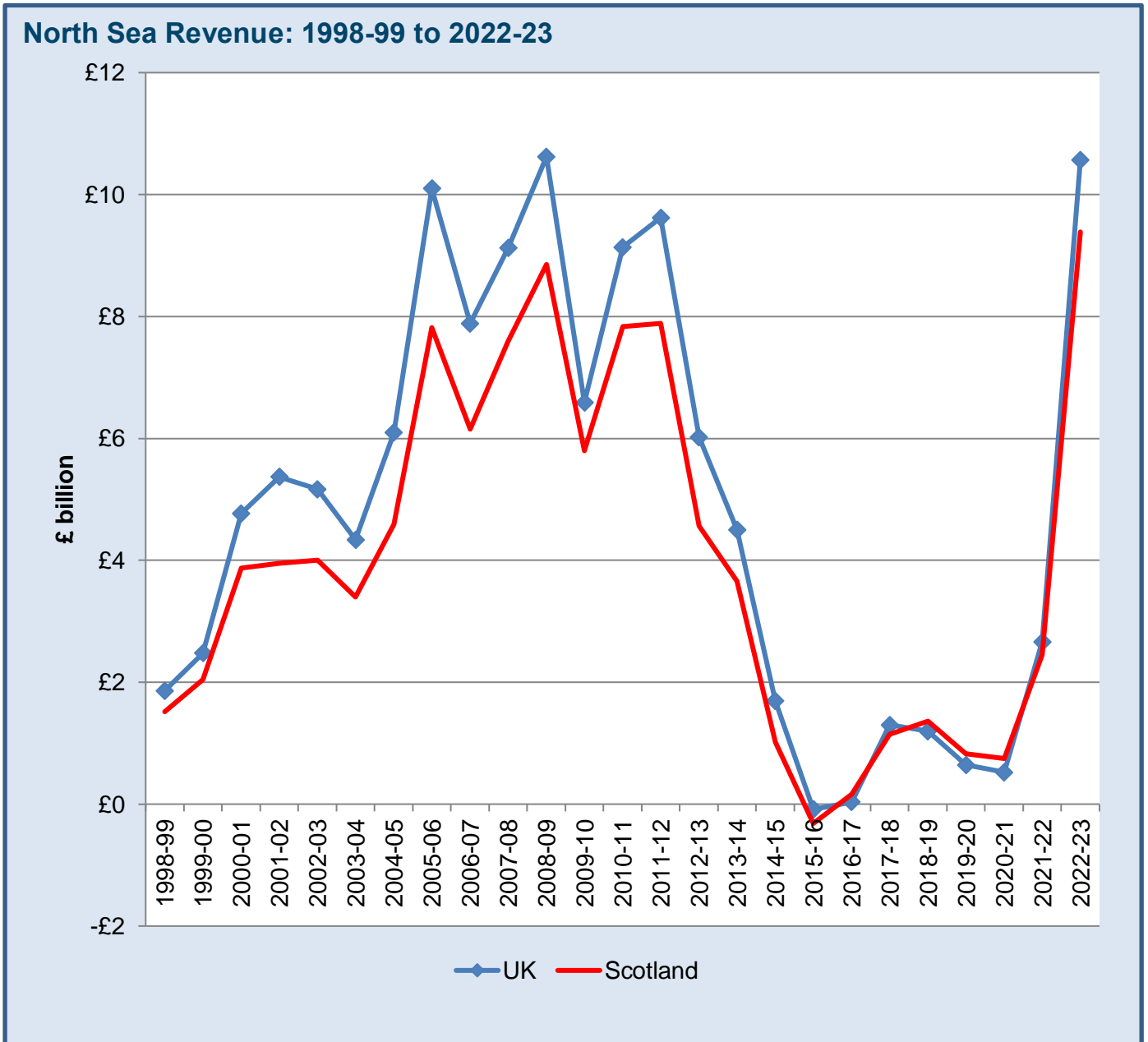
The table below compares the estimates in GERS with those published by ONS. There are some differences between the ONS and GERS numbers. For non-North Sea taxes, these primarily relate to VAT. The estimates of VAT in GERS are consistent with those published by HMRC for Scottish Assigned VAT, whilst the 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.

<b>Table 1.5: Estimates of Scottish Revenues 2020-21 to 2022-23 (£ million)</b>			
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Non-North Sea taxes</b>			
GERS	52,792	60,941	67,854
ONS	52,854	60,494	n/a
<b>Difference</b>	<b>-62</b>	<b>447</b>	<b>n/a</b>
<b>Other non-North Sea receipts</b>			
GERS	8,879	9,094	10,256
ONS	10,340	10,329	n/a
<b>Difference</b>	<b>-1,461</b>	<b>-1,235</b>	<b>n/a</b>
<b>Geographical share of North Sea revenues</b>			
GERS	752	2,446	9,386
ONS	760	2,515	n/a
<b>Difference</b>	<b>-8</b>	<b>-69</b>	<b>n/a</b>

<sup>14</sup> [Country and regional public sector finances, UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/country-and-regional-public-sector-finances-uk)

# 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 four sources: petroleum revenue tax, corporation tax, licence fees, and the new Energy Profits Levy.

Table 2.1 shows the revenue raised from each component of North Sea revenue since 2020-21. Having been £522 million in 2020-21, UK North Sea revenue increased in 2021-22 and has seen a further significant increase in 2022-23, reaching £10.6 billion, its highest level ever. This reflects the impact of higher oil and gas prices on corporation tax receipts, and the introduction of the Energy Profits Levy from 26 May 2022.

	£ million		
	2020-21	2021-22	2022-23
Licence fees	72	72	72
North Sea corporation tax	691	3,142	6,150
Petroleum revenue tax	-241	-552	-234
Energy Profits Levy	-	-	4,582
<b>Total</b>	<b>522</b>	<b>2,662</b>	<b>10,570</b>

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.

Oil and gas prices fell across 2022-23, although remained higher than pre-pandemic levels. The oil price fell from \$105 per barrel in April 2022 to \$78 in March 2023, whilst gas prices fell from 305p per therm to 118p. These falls reflected markets continuing to adjust to changes in supply and demand after the Russian invasion of Ukraine and the ongoing recovery from the pandemic.<sup>15 16</sup>

Overall North Sea production of oil and gas increased by 2% in 2022 to 78 million tons of oil equivalent.<sup>17</sup> This was driven by increases in production of gas, which rose by 16%, whilst oil production continued to decline, falling by 8%.

In 2022 total expenditure on the UK Continental Shelf increased by 19% in real terms compared to 2021, to stand at £14.6 billion. The increase was primarily due to

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

16 [Wholesale gas prices - Reuters](https://www.reuters.com)

17 [UK energy in brief 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

an increase in capital expenditure and operating costs, which increased by 24% and 11% respectively in real terms. There were also large increases in exploration and appraisal (E&A) and decommissioning expenditure, which both increased by over 40%, although these are still a relatively small part of overall expenditure, together accounting for around 15% of total spend.<sup>18</sup>

The UK fiscal regime in 2022-23 consisted of offshore Ring Fence Corporation Tax (RFCT) at 30%, Petroleum Revenue Tax (PRT) at 0% and a Supplementary Charge (SC) of 10%.<sup>19</sup> On 26 May 2022, the UK Government introduced a new Energy Profits Levy, which is an additional 35% tax on UK oil and gas profits on top of the existing taxes, taking the combined rate of tax on profits to 75%.<sup>20</sup>

As shown in Table 2.1, PRT receipts are 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.<sup>21</sup>

## Scotland's Share of North Sea Revenue

In the ONS's 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. An illustrative geographical share
2. A population share

These are discussed below.

### An Illustrative Geographical Share

The most common approach to estimating North Sea revenue is to apportion a share of North Sea revenue to Scotland on the geographical location of oil and gas fields. 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

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18 [North Sea Transition Authority \(NSTA\): Production and expenditure projections - Data downloads and publications - Data centre \(nstaauthority.co.uk\)](#)

19 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.

20 Applied on profits from the 26<sup>th</sup> 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.

21 [Statistics of government revenues from UK oil and gas production July 2022 - GOV.UK \(www.gov.uk\)](#)

## 2 North Sea Revenue

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 2.2 shows Scotland's illustrative geographical share of UK North Sea revenue, broken down by licence fees, corporation tax, and petroleum revenue tax. In 2020-21, Scotland's illustrative geographical share of North Sea revenues is above 100%, which had been the case since 2018-19. This reflects the fact that the tax corporation tax refunds are estimated to be disproportionately paid out in non-Scottish waters.

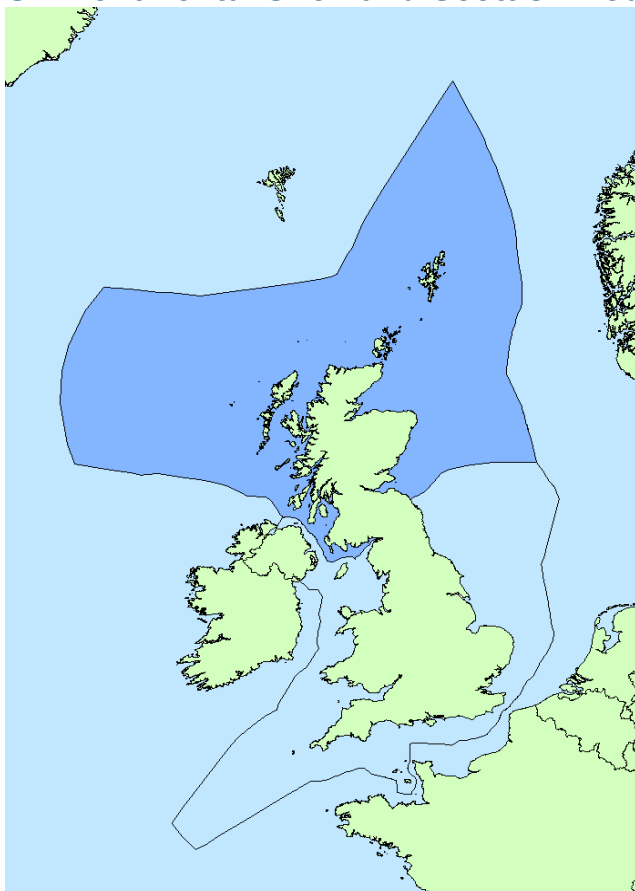
Following the rise in oil and gas prices in 2021-22, there has been a significant increase in North Sea corporation tax receipts, which reduces the importance of tax refunds in overall receipts. This has led to Scotland's share of corporation tax receipts falling back to below 100%.

**Table 2.2: Geographical Share of North Sea Revenue: Scotland 2020-21 to 2022-23**

	£ million		
	2020-21	2021-22	2022-23
<b>UK revenue</b>	<b>522</b>	<b>2,662</b>	<b>10,570</b>
Licence fees	72	72	72
North Sea corporation tax	691	3,142	6,150
Petroleum revenue tax	-241	-552	-234
Energy Profits Levy	-	-	4,582
<b>Scottish geographical revenue</b>	<b>752</b>	<b>2,446</b>	<b>9,386</b>
Licence fees	84	63	63
North Sea corporation tax	799	2,696	5,391
Petroleum revenue tax	-131	-313	-133
Energy Profits Levy	-	-	4,064
<b>Scottish share of UK</b>	<b>144.1%</b>	<b>91.9%</b>	<b>88.8%</b>
Licence fees	117.0%	88.0%	88.0%
North Sea corporation tax	115.6%	85.8%	87.7%
Petroleum revenue tax	54.2%	56.8%	56.6%
Energy Profits Levy	-	-	88.7%

Scotland's estimated geographical share of the North Sea sector, used in this report, is highlighted in the figure below.

## UK Continental Shelf and Scottish Boundary



Source: Scottish Government

## Population Share

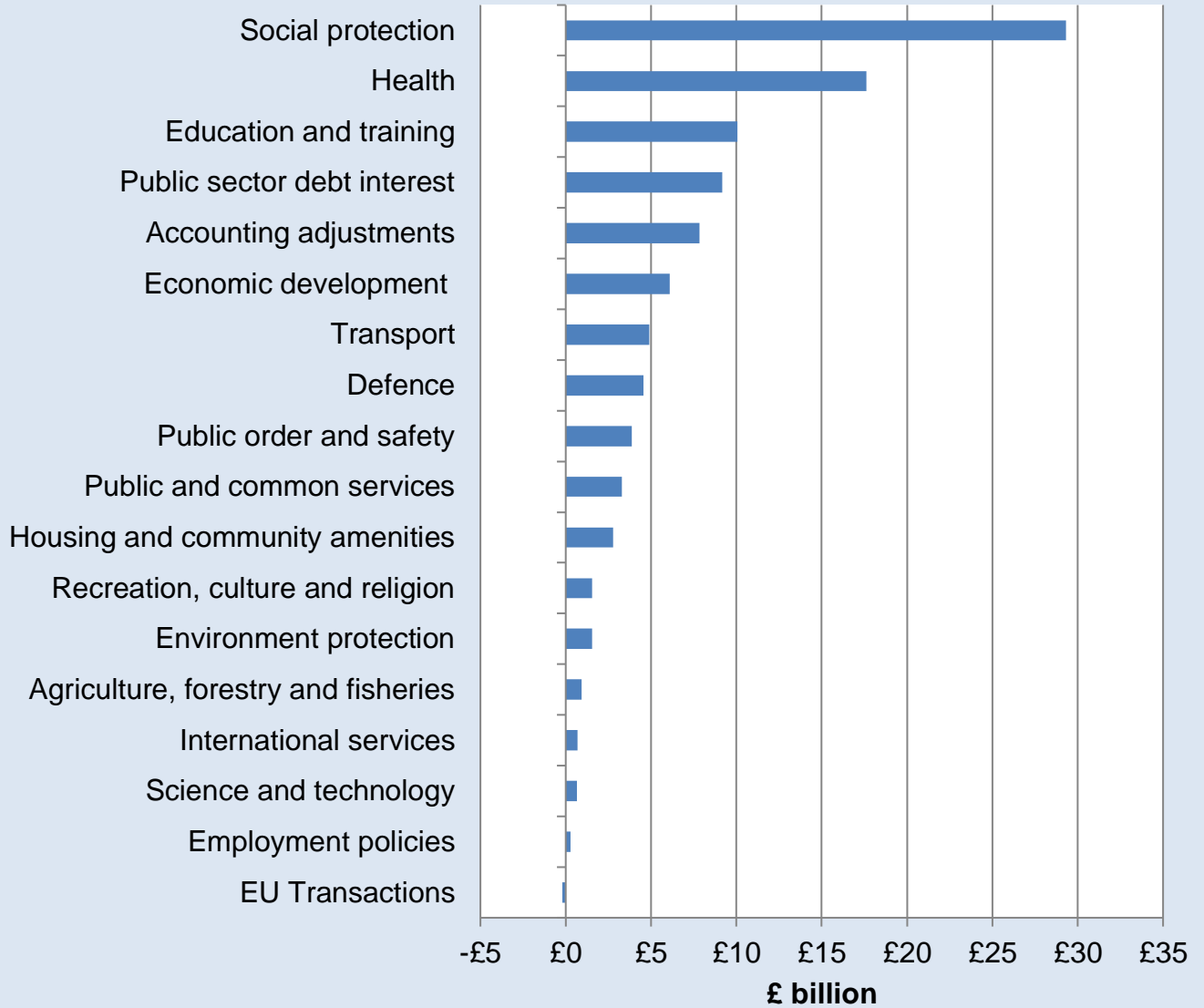
An alternative approach to North Sea revenue is to view it as a non-identifiable UK revenue, in which case a population share may be apportioned to Scotland.

Table 2.2 provides an estimate of Scotland's share of North Sea revenue under this approach.

<b>Table 2.3: Population Share of North Sea Revenue: Scotland 2020-21 to 2022-23</b>			
	<b>£ million</b>		
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Total North Sea revenue	522	2,662	10,570
Scotland's population share	43	218	865
<b>Scotland's share of North Sea revenue (%)</b>	<b>8.2%</b>	<b>8.2%</b>	<b>8.2%</b>

# Chapter 3: Public Sector Expenditure

Total Public Sector Expenditure: Scotland 2022-23



# 3

## Public Sector Expenditure

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### 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)<sup>22</sup> and the supporting Country and Regional Analysis (CRA).<sup>23</sup>

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 2022-23 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 to ensure international comparability. 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 2022-23 is estimated to be £106.6 billion, with social protection the largest element of spend, accounting for slightly over a quarter of total spend. Spend has increased by 9.3% from 2021-22. This increase primarily reflects the introduction of Cost of Living support schemes for households and businesses, and rises in the cost of reserved debt interest as interest rates and inflation have risen. These are partly offset by falls in health spending as pandemic spending continued to be scaled back. Overall health spend fell by £1.6 billion to £17.6 billion, although this is still almost a third higher than

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<sup>22</sup> [HMT Public Expenditure Statistical Analyses \(PESA\) - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

<sup>23</sup> [Country and regional analysis - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

### 3 Public Sector Expenditure

spending in 2019-20. Further information on reserved spending in response to the Cost of Living is set out in Box 3.1.

Table 3.1 shows a breakdown of spending by category.

<b>Table 3.1: Total Expenditure: Scotland 2022-23</b>		
	<b>Scotland</b>	
	<b>£ million</b>	<b>% of total expenditure</b>
General public services		
Public and common services	3,276	3.1%
International services	694	0.7%
Reserved public sector debt interest	9,169	8.6%
Local government pension fund interest expenditure	1,751	1.6%
Defence	4,540	4.3%
Public order and safety	3,881	3.6%
Economic affairs		
Enterprise and economic development	6,082	5.7%
Science and technology	654	0.6%
Employment policies	290	0.3%
Agriculture, forestry and fisheries	922	0.9%
Transport	4,897	4.6%
Environment protection	1,537	1.4%
Housing and community amenities	2,766	2.6%
Health	17,615	16.5%
Recreation, culture and religion	1,547	1.5%
Education and training	10,046	9.4%
Social protection	29,311	27.5%
EU transactions	-186	-0.2%
Accounting adjustments	7,843	7.4%
<b>Total Expenditure</b>	<b>106,635</b>	<b>100%</b>

Table 3.2 below shows growth in current and capital spend in Scotland by organization in 2022-23, compared to the UK. Spending grew more slowly in Scotland than the UK as a whole. This primarily reflects that in the areas of spending which are growing fastest, such as reserved debt interest payments and cost of living support, Scotland receives a share similar to its population, which is lower than its overall spending share. Note that the growth rate for UK public corporation spending is affected by one-off capital receipts in 2021-22 relating to public sector pensions, which reduced spending in this year, leading to very high growth in 2022-23.

**Box 3.1: Spending associated with reserved cost of living support packages**

Inflation increased significantly across 2021-22 and into 2022-23, driven by rising energy prices. CPI inflation at the beginning of 2021-22 was 1.5%, and increased to a peak of 11.1% in October 2022. In response, the UK and Scottish Governments announced a range of measures to help households and businesses with rising costs. Details of the Scottish Government policies are available at:

[Cost of living crisis - gov.scot \(www.gov.scot\)](http://www.gov.scot)

The reserved UK Government support schemes provided over £50 billion of support for the UK across 2022-23. The key interventions were:

- Energy Price Guarantee – which limited the amount a typical household would pay for energy to £2,500.
- Energy Bill Support Scheme – which provided a £400 discount to household energy bills over the winter, which they received across October 2022 to March 2023.
- Energy Bill Relief Scheme – which ran between 1 October 2022 and 31 March 2023, and provided a limit on the price paid by businesses.
- Cost of Living Payments – payments of between £150 to £650 were made to people on low incomes, people in receipt of qualifying disability benefits, and pensioners entitled to Winter Fuel Payments.

The cost of these schemes in Scotland has been estimated based on:

- Energy Price Guarantee – the Scottish share of UK consumption of electricity and gas by domestic customers.
- Energy Bill Support Scheme – the Scottish share of UK households.
- Energy Bill Relief Scheme – the Scottish share of UK consumption of electricity and gas by non-domestic customers.
- Cost of Living Payments – the Scottish share of Universal Credit or relevant qualifying social security.

The table below summarises the costs for Scotland associated with the schemes above in this edition of GERS.

**Reserved cost of living support spending for Scotland (2022-23, £ million)**

	Scotland	UK	Share
Energy price guarantee (households) <sup>1</sup>	2,042	23,000	8.9%
Energy price guarantee (businesses) <sup>1</sup>	615	6,700	9.2%
Energy bills support scheme <sup>2</sup>	1,031	12,500	8.2%
£650 means tested Cost of Living payment <sup>3</sup>	465	5,460	8.5%
£300 pensioner Cost of Living payment <sup>3</sup>	223	2,564	8.7%
£150 disability Cost of Living payment <sup>3</sup>	94	919	10.2%
<b>Total</b>	<b>4,470</b>	<b>51,142</b>	<b>8.7%</b>

Sources: <sup>1</sup> OBR Economic and Fiscal Outlook March 2023, Scottish Government calculations

<sup>2</sup> OBR Economic and Fiscal Outlook March 2023, Scottish Government calculations. Includes Alternative Fuels Payment.

<sup>3</sup> OSCAR 2022-23 transparency data, Scottish Government calculations.



<b>Table 3.2: Expenditure growth: 2021-22 to 2022-23 (£ million)</b>				
	<b>Scotland</b>			<b>UK growth</b>
	<b>2021-22</b>	<b>2022-23</b>	<b>Growth</b>	
<b>Current expenditure</b>	<b>86,813</b>	<b>95,129</b>	<b>9.6%</b>	<b>11.2%</b>
Scottish Government	37,961	37,557	-1.1%	-1.1%
Local Government	15,916	16,632	4.5%	4.2%
Public Corporations	-	-	-	-
Other UK Government bodies	32,936	40,941	24.3%	-3.0%
<b>Capital expenditure</b>	<b>10,567</b>	<b>11,506</b>	<b>8.9%</b>	<b>8.6%</b>
Scottish Government	3,976	4,376	10.1%	10.1%
Local Government	2,347	2,489	6.1%	-0.4%
Public Corporations	1,565	1,777	13.6%	94.9%
Other UK Government bodies	2,680	2,864	6.9%	-11.6%
<b>Total expenditure</b>	<b>97,380</b>	<b>106,635</b>	<b>9.5%</b>	<b>10.9%</b>
Scottish Government	41,937	41,933	0.0%	0.0%
Local Government	18,263	19,121	4.7%	3.7%
Public Corporations	1,565	1,777	13.6%	94.9%
Other UK Government bodies	35,615	43,804	23.0%	-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.

<b>Table 3.3: Current and Capital Expenditure (% of Total Expenditure): Scotland</b>			
	<b>per cent</b>		
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Current	89.0%	89.2%	89.2%
Capital	11.0%	10.8%	10.8%

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 remained broadly unchanged at around 50% in 2022-23, although it remains around 5 percentage points higher than before the pandemic.

<b>Table 3.4: Total Expenditure as a Share of GDP</b>			
	<b>Per cent of GDP</b>		
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Scottish expenditure as a Share of GDP:</b>			
Excl. North Sea GDP	65.8%	55.9%	56.2%
Incl. population share of North Sea GDP	65.4%	55.2%	55.6%
Incl. geographical share of North Sea GDP	61.9%	50.1%	50.1%
<b>UK expenditure as a share of GDP:</b>			
100% of North Sea GDP	53.1%	44.5%	45.6%

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 but narrowed in 2022-23, with spend per person 12.9% points higher. This narrowing reflects the increased spending on reserved debt interest and cost of living support, where Scotland broadly receives a population increase of UK spending. Note that per person figures will be subject to future revision when mid-year population estimates are published following the release of the Scottish Census 2022.

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.

<b>Table 3.5: Total Expenditure Per Person</b>			
	<b>£ per person</b>		
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Scotland	18,334	17,770	19,459
UK	16,505	15,549	17,243
<i>Difference (Scotland minus UK)</i>	<i>1,829</i>	<i>2,222</i>	<i>2,217</i>
<i>Difference between Scottish and UK (%)</i>	<i>11.1%</i>	<i>14.3%</i>	<i>12.9%</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.

<b>Social protection spending for Scotland (£ million)</b>			
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Social security spending in Scotland</b>			
State pension	8,501	8,782	9,305
Housing benefit	1,380	1,286	1,178
Universal credit	2,909	3,074	3,537
Other DWP social security	2,707	2,506	2,778
HMRC child benefit and tax credits	1,832	1,541	1,468
Scottish Government social security	3,871	3,961	4,484
<b>Social security spending in Scotland</b>	<b>21,199</b>	<b>21,149</b>	<b>22,752</b>
Share of benefit spending outside UK	359	369	380
Share of corporate spend	93	109	128
<b>Other social protection</b>			
Net public sector pensions	216	179	135
Social care for the elderly	2,625	2,871	3,141
Other	1,605	1,694	2,776
<b>Total social protection</b>	<b>26,097</b>	<b>26,371</b>	<b>29,311</b>

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. .

### 3 Public Sector Expenditure

**Table 3.6: Total Expenditure: Scotland 2020-21 to 2022-23**

	Current			Capital			Total		
	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23
General public services									
Public and common services	1,782	2,760	2,895	324	367	382	2,106	3,127	3,276
International services	739	561	553	177	128	142	916	689	694
Public sector interest expenditure	4,071	6,507	10,920	0	0	0	4,071	6,507	10,920
Defence	2,622	2,689	2,738	1,005	1,285	1,802	3,627	3,974	4,540
Public order and safety	3,170	3,341	3,643	227	227	238	3,397	3,568	3,881
Economic affairs									
Enterprise and economic development	9,797	3,701	5,263	1,702	391	819	11,499	4,093	6,082
Science and technology	15	44	24	589	575	630	604	620	654
Employment policies	191	316	285	6	10	5	197	326	290
Agriculture, forestry and fisheries	799	755	762	118	146	161	917	901	922
Transport	2,637	2,425	2,143	1,963	2,185	2,754	4,600	4,610	4,897
Environment protection	952	980	966	534	500	571	1,486	1,480	1,537
Housing and community amenities	216	157	276	1,870	2,300	2,490	2,087	2,457	2,766
Health	17,516	18,466	16,724	650	723	891	18,167	19,189	17,615
Recreation, culture and religion	1,267	1,289	1,247	204	279	300	1,471	1,568	1,547
Education and training	8,947	9,225	9,011	1,118	1,069	1,036	10,066	10,294	10,046
Social protection	25,971	26,192	29,147	126	179	164	26,097	26,371	29,311
EU Transactions	686	-162	-186	0	0	0	686	-162	-186
Accounting adjustments	7,852	7,565	8,720	430	203	-877	8,282	7,768	7,843
<b>Total</b>	<b>89,232</b>	<b>86,813</b>	<b>95,129</b>	<b>11,043</b>	<b>10,567</b>	<b>11,506</b>	<b>100,275</b>	<b>97,380</b>	<b>106,635</b>

**Table 3.7: Total Expenditure: UK 2020-21 to 2022-23**

	Current			Capital			Total		
	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23
General public services									
Public and common services	15,188	24,566	23,878	3,244	3,542	2,918	18,432	28,108	26,796
International services	9,059	6,801	6,742	2,167	1,560	1,730	11,226	8,361	8,472
Public sector interest expenditure	42,240	74,515	128,398	0	0	0	42,240	74,515	128,398
Defence	32,247	32,959	33,488	12,335	15,707	22,020	44,582	48,666	55,508
Public order and safety	35,893	36,733	40,512	2,996	3,036	3,403	38,889	39,769	43,915
Economic affairs									
Enterprise and economic development	108,968	37,968	58,534	22,313	-1,100	5,288	131,281	36,868	63,823
Science and technology	204	354	296	6,395	6,235	6,866	6,599	6,589	7,162
Employment policies	2,543	4,098	3,745	77	124	74	2,620	4,222	3,819
Agriculture, forestry and fisheries	5,800	5,261	5,576	519	760	1,087	6,319	6,021	6,663
Transport	26,478	19,070	16,268	22,904	25,611	27,908	49,382	44,681	44,177
Environment protection	8,519	9,040	8,440	4,435	4,722	5,442	12,954	13,762	13,883
Housing and community amenities	3,811	3,474	3,651	9,879	11,745	14,137	13,690	15,219	17,788
Health	204,991	206,623	200,394	13,576	9,613	11,169	218,567	216,236	211,564
Recreation, culture and religion	10,684	10,552	10,823	2,086	2,374	3,180	12,770	12,926	14,004
Education and training	86,215	90,927	95,412	9,309	9,200	10,127	95,524	100,127	105,538
Social protection	298,678	299,174	318,007	639	861	766	299,317	300,035	318,773
EU Transactions	6,988	-2,005	-2,274				6,988	-2,005	-2,274
Accounting adjustments	82,549	77,650	90,443	12,800	9,715	-3,520	95,349	87,365	86,923
<b>Total</b>	<b>981,055</b>	<b>937,760</b>	<b>1,042,334</b>	<b>125,674</b>	<b>103,705</b>	<b>112,596</b>	<b>1,106,729</b>	<b>1,041,465</b>	<b>1,154,930</b>

### 3 Public Sector Expenditure

**Table 3.8: Total Expenditure: Devolved and reserved expenditure, Scotland (£ million)**

	Devolved expenditure			Reserved expenditure			Total		
	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23
General public services									
Public and common services	1,390	1,619	1,797	717	1,508	1,479	2,106	3,127	3,276
International services	1	5	1	915	684	693	916	689	694
Public sector interest expenditure	1,908	1,732	1,751	2,164	4,775	9,169	4,071	6,507	10,920
Defence	6	3	4	3,621	3,971	4,536	3,627	3,974	4,540
Public order and safety	3,029	3,249	3,472	368	320	409	3,397	3,568	3,881
Economic affairs	0	0	0	0	0	0	0	0	0
Enterprise and economic development	3,135	1,912	1,232	8,364	2,181	4,850	11,499	4,093	6,082
Science and technology	1	1	3	604	619	651	604	620	654
Employment policies	0	0	0	197	326	290	197	326	290
Agriculture, forestry and fisheries	904	825	843	13	76	79	917	901	922
Transport	3,408	3,455	3,558	1,192	1,155	1,339	4,600	4,610	4,897
Environment protection	1,174	1,138	1,232	312	342	305	1,486	1,480	1,537
Housing and community amenities	2,086	2,457	2,766	0	0	0	2,087	2,457	2,766
Health	16,973	17,538	16,671	1,194	1,651	943	18,167	19,189	17,615
Recreation, culture and religion	1,115	1,176	1,095	356	391	452	1,471	1,568	1,547
Education and training	10,052	10,282	10,032	13	12	14	10,066	10,294	10,046
Social protection	8,789	9,083	10,395	17,308	17,288	18,916	26,097	26,371	29,311
EU Transactions	0	0	0	686	-162	-186	686	-162	-186
Accounting adjustments	6,838	7,290	7,979	1,444	478	-137	8,282	7,768	7,843
<b>Total</b>	<b>60,809</b>	<b>61,765</b>	<b>62,831</b>	<b>39,466</b>	<b>35,615</b>	<b>43,804</b>	<b>100,275</b>	<b>97,380</b>	<b>106,635</b>

**Table 3.8a: Total Current Expenditure: Devolved and reserved expenditure, Scotland (£ million)**

	Devolved expenditure			Reserved expenditure			Total		
	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23
General public services									
Public and common services	1,176	1,380	1,524	606	1,380	1,370	1,782	2,760	2,895
International services	1	5	1	738	556	552	739	561	553
Public sector interest expenditure	1,908	1,732	1,751	2,164	4,775	9,169	4,071	6,507	10,920
Defence	6	3	4	2,616	2,686	2,734	2,622	2,689	2,738
Public order and safety	2,850	3,063	3,283	321	279	360	3,170	3,341	3,643
Economic affairs									
Enterprise and economic development	2,657	1,373	644	7,140	2,328	4,619	9,797	3,701	5,263
Science and technology	1	1	3	15	43	22	15	44	24
Employment policies	0	0	0	191	316	285	191	316	285
Agriculture, forestry and fisheries	785	683	687	14	72	74	799	755	762
Transport	2,071	1,890	1,666	567	535	476	2,637	2,425	2,143
Environment protection	862	864	910	91	116	55	952	980	966
Housing and community amenities	216	157	276	0	0	0	216	157	276
Health	16,519	16,774	15,796	998	1,692	928	17,516	18,466	16,724
Recreation, culture and religion	954	944	873	313	345	374	1,267	1,289	1,247
Education and training	8,934	9,213	8,997	13	13	14	8,947	9,225	9,011
Social protection	8,681	8,932	10,239	17,290	17,260	18,908	25,971	26,192	29,147
EU transactions	0	0	0	686	-162	-186	686	-162	-186
Accounting adjustments	6,356	6,863	7,532	1,496	702	1,187	7,852	7,565	8,720
<b>Total</b>	<b>53,975</b>	<b>53,877</b>	<b>54,189</b>	<b>35,257</b>	<b>32,936</b>	<b>40,941</b>	<b>89,232</b>	<b>86,813</b>	<b>95,129</b>



### 3 Public Sector Expenditure

**Table 3.8b: Total Capital Expenditure: Devolved and reserved expenditure, Scotland (£ million)**

	Devolved expenditure			Reserved expenditure			Total		
	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23
General public services									
Public and common services	214	239	273	110	128	109	324	367	382
International services	0	0	0	177	128	142	177	128	142
Public sector interest expenditure	0	0	0	0	0	0	0	0	0
Defence	0	0	0	1,005	1,285	1,802	1,005	1,285	1,802
Public order and safety	179	186	189	47	41	49	227	227	238
Economic affairs	0	0	0	0	0	0	0	0	0
Enterprise and economic development	478	539	587	1,224	-147	231	1,702	391	819
Science and technology	0	0	0	589	575	630	589	575	630
Employment policies	0	0	0	6	10	5	6	10	5
Agriculture, forestry and fisheries	119	142	156	0	4	5	118	146	161
Transport	1,338	1,565	1,892	625	620	862	1,963	2,185	2,754
Environment protection	313	274	321	221	226	250	534	500	571
Housing and community amenities	1,870	2,300	2,490	0	0	0	1,870	2,300	2,490
Health	455	764	875	196	-42	16	650	723	891
Recreation, culture and religion	161	232	222	43	46	78	204	279	300
Education and training	1,118	1,069	1,036	0	0	0	1,118	1,069	1,036
Social protection	108	150	155	18	29	9	126	179	164
EU transactions	0	0	0	0	0	0	0	0	0
Accounting adjustments	482	427	447	-52	-224	-1,324	430	203	-877
<b>Total</b>	<b>6,834</b>	<b>7,888</b>	<b>8,643</b>	<b>4,209</b>	<b>2,680</b>	<b>2,864</b>	<b>11,043</b>	<b>10,567</b>	<b>11,506</b>

## 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 received 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, although it continues to receive funding for programmes funded under the 2013-2020 Multiannual Financial Framework.

As per the Withdrawal Agreement, the UK continues to make payments for its outstanding commitments through the EU Financial Settlement. However, in 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 3.8.

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-and-briefings/2020/06/2020-06-16-briefing-on-the-eu-financial-settlement/)

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 GERS tables 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:<sup>24</sup>

- 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.

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<sup>24</sup> 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-2020.pdf)

### 3 Public Sector Expenditure

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.

#### 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.

<b>Table 3.9: Transactions with the institutions of the EU, 2020-21 to 2022-23 (£ million)</b>						
	<b>Scotland</b>			<b>UK</b>		
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
GNI based contribution	1,026	11	4	12,762	139	46
UK abatement	-308	15	-35	-3,785	181	-428
VAT-based contribution	159	-0	-	1,954	-4	0
Expenditure transfers to the EU	<b>876</b>	<b>26</b>	<b>-31</b>	<b>10,930</b>	<b>315</b>	<b>-383</b>
Receipts to cover collection costs of TOR	-48	-1	-1	-536	-12	-12
TOR	220	4	4	2,695	49	50
EU Financial Settlement (EUFS) net payments	-20	635	731	-249	7,758	8,939
Gross contribution to the EU budget	<b>1,028</b>	<b>664</b>	<b>703</b>	<b>12,840</b>	<b>8,110</b>	<b>8,594</b>
Public sector EU receipts	-143	-187	-154	-3,406	-2,308	-1,879
Net contributions to the EU budget	<b>885</b>	<b>477</b>	<b>549</b>	<b>9,434</b>	<b>5,802</b>	<b>6,715</b>
<i>EU transactions (net contributions to EU institutions less TOR and EUFS)</i>	<i>686</i>	<i>-162</i>	<i>-186</i>	<i>6,988</i>	<i>-2,005</i>	<i>-2,274</i>

## **Private Finance Initiative and Non-Profit Distributing Financing support for Public Private Partnerships (PPPs)**

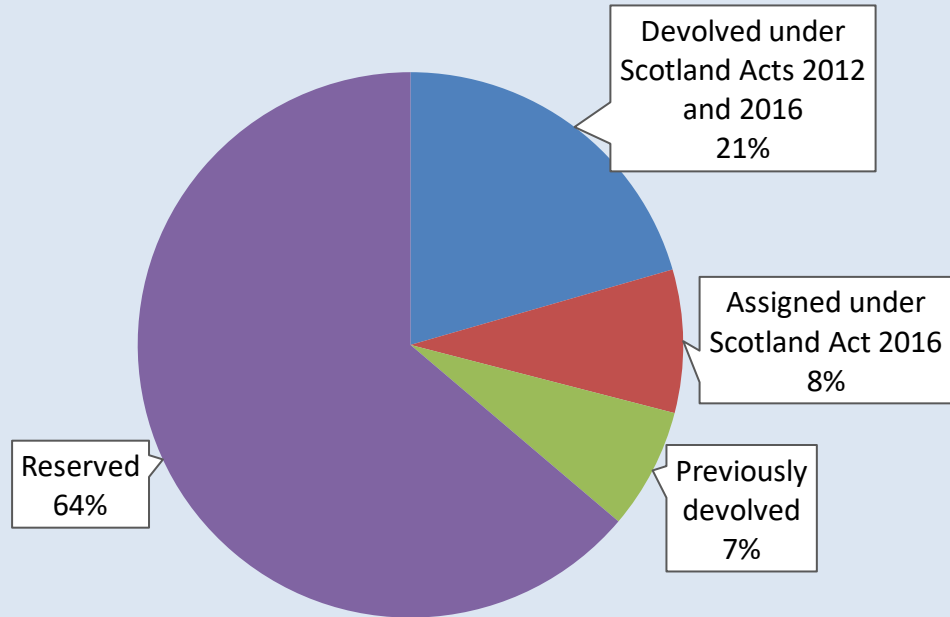
Public Private Partnerships (PPPs) are long-term contracts for services that include the provision of associated facilities or properties. Under the contract, the private sector is generally responsible for various roles, including designing and constructing a building or facility, and maintaining and 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. These payments are reflected in the GERS expenditure figures, but typically broader payments associated with these schemes, such as the upfront capital investment, is not included, although it will be reflected in the total unitary charge payments over the lifetime of the scheme.

Previous GERS publications have provided a breakdown of payments related to PPPs in Scotland.

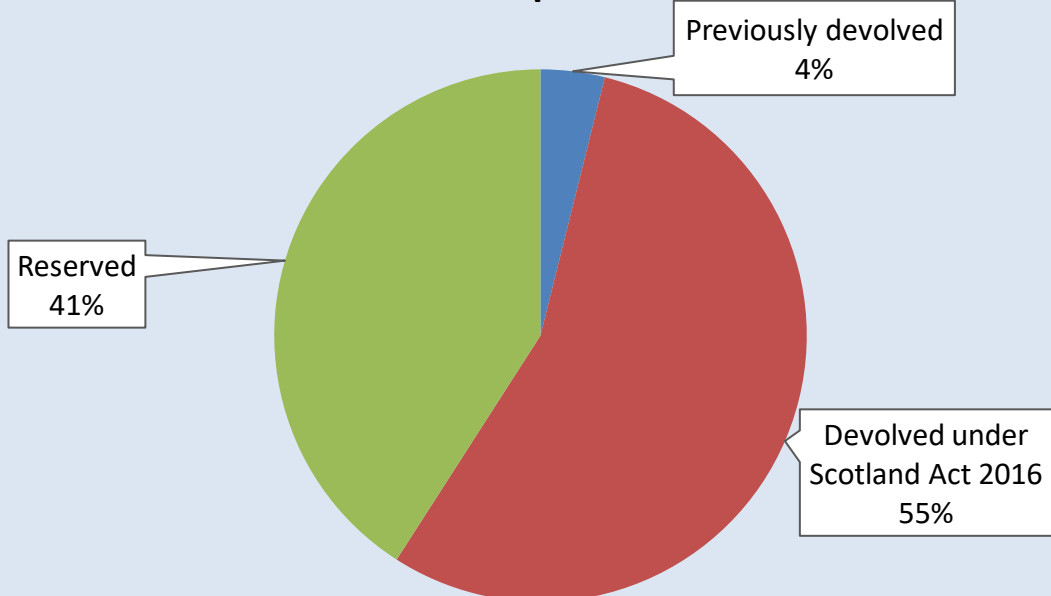
[Supporting documents - Government Expenditure & Revenue Scotland \(GERS\) 2021-22 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/gers-2021-22/supporting-documents/government-expenditure-revenue-scotland-gers-2021-22-ppps-2021-22-2022-23-2023-24-2024-25-2025-26-2026-27-2027-28-2028-29-2029-30-2030-31-2031-32-2032-33-2033-34-2034-35-2035-36-2036-37-2037-38-2038-39-2039-40-2040-41-2041-42-2042-43-2043-44-2044-45-2045-46-2046-47-2047-48-2048-49-2049-50-2050-51-2051-52-2052-53-2053-54-2054-55-2055-56-2056-57-2057-58-2058-59-2059-60-2060-61-2061-62-2062-63-2063-64-2064-65-2065-66-2066-67-2067-68-2068-69-2069-70-2070-71-2071-72-2072-73-2073-74-2074-75-2075-76-2076-77-2077-78-2078-79-2079-80-2080-81-2081-82-2082-83-2083-84-2084-85-2085-86-2086-87-2087-88-2088-89-2089-90-2090-91-2091-92-2092-93-2093-94-2094-95-2095-96-2096-97-2097-98-2098-99-2099-100-2100-101-2101-102-2102-103-2103-104-2104-105-2105-106-2106-107-2107-108-2108-109-2109-110-2110-111-2111-112-2112-113-2113-114-2114-115-2115-116-2116-117-2117-118-2118-119-2119-120-2120-121-2121-122-2122-123-2123-124-2124-125-2125-126-2126-127-2127-128-2128-129-2129-130-2130-131-2131-132-2132-133-2133-134-2134-135-2135-136-2136-137-2137-138-2138-139-2139-140-2140-141-2141-142-2142-143-2143-144-2144-145-2145-146-2146-147-2147-148-2148-149-2149-150-2150-151-2151-152-2152-153-2153-154-2154-155-2155-156-2156-157-2157-158-2158-159-2159-160-2160-161-2161-162-2162-163-2163-164-2164-165-2165-166-2166-167-2167-168-2168-169-2169-170-2170-171-2171-172-2172-173-2173-174-2174-175-2175-176-2176-177-2177-178-2178-179-2179-180-2180-181-2181-182-2182-183-2183-184-2184-185-2185-186-2186-187-2187-188-2188-189-2189-190-2190-191-2191-192-2192-193-2193-194-2194-195-2195-196-2196-197-2197-198-2198-199-2199-200-201-202-203-204-205-206-207-208-209-210-211-212-213-214-215-216-217-218-219-220-221-222-223-224-225-226-227-228-229-230-231-232-233-234-235-236-237-238-239-240-241-242-243-244-245-246-247-248-249-250-251-252-253-254-255-256-257-258-259-260-261-262-263-264-265-266-267-268-269-270-271-272-273-274-275-276-277-278-279-280-281-282-283-284-285-286-287-288-289-290-291-292-293-294-295-296-297-298-299-300-301-302-303-304-305-306-307-308-309-310-311-312-313-314-315-316-317-318-319-320-321-322-323-324-325-326-327-328-329-330-331-332-333-334-335-336-337-338-339-340-341-342-343-344-345-346-347-348-349-350-351-352-353-354-355-356-357-358-359-360-361-362-363-364-365-366-367-368-369-370-371-372-373-374-375-376-377-378-379-380-381-382-383-384-385-386-387-388-389-390-391-392-393-394-395-396-397-398-399-400-401-402-403-404-405-406-407-408-409-410-411-412-413-414-415-416-417-418-419-420-421-422-423-424-425-426-427-428-429-430-431-432-433-434-435-436-437-438-439-440-441-442-443-444-445-446-447-448-449-450-451-452-453-454-455-456-457-458-459-460-461-462-463-464-465-466-467-468-469-470-471-472-473-474-475-476-477-478-479-480-481-482-483-484-485-486-487-488-489-490-491-492-493-494-495-496-497-498-499-500-501-502-503-504-505-506-507-508-509-510-511-512-513-514-515-516-517-518-519-520-521-522-523-524-525-526-527-528-529-530-531-532-533-534-535-536-537-538-539-540-541-542-543-544-545-546-547-548-549-550-551-552-553-554-555-556-557-558-559-560-561-562-563-564-565-566-567-568-569-570-571-572-573-574-575-576-577-578-579-580-581-582-583-584-585-586-587-588-589-590-591-592-593-594-595-596-597-598-599-600-601-602-603-604-605-606-607-608-609-610-611-612-613-614-615-616-617-618-619-620-621-622-623-624-625-626-627-628-629-630-631-632-633-634-635-636-637-638-639-640-641-642-643-644-645-646-647-648-649-650-651-652-653-654-655-656-657-658-659-660-661-662-663-664-665-666-667-668-669-670-671-672-673-674-675-676-677-678-679-680-681-682-683-684-685-686-687-688-689-690-691-692-693-694-695-696-697-698-699-700-701-702-703-704-705-706-707-708-709-710-711-712-713-714-715-716-717-718-719-720-721-722-723-724-725-726-727-728-729-730-731-732-733-734-735-736-737-738-739-740-741-742-743-744-745-746-747-748-749-750-751-752-753-754-755-756-757-758-759-760-761-762-763-764-765-766-767-768-769-770-771-772-773-774-775-776-777-778-779-780-781-782-783-784-785-786-787-788-789-790-791-792-793-794-795-796-797-798-799-800-801-802-803-804-805-806-807-808-809-810-811-812-813-814-815-816-817-818-819-820-821-822-823-824-825-826-827-828-829-830-831-832-833-834-835-836-837-838-839-840-841-842-843-844-845-846-847-848-849-850-851-852-853-854-855-856-857-858-859-860-861-862-863-864-865-866-867-868-869-870-871-872-873-874-875-876-877-878-879-880-881-882-883-884-885-886-887-888-889-890-891-892-893-894-895-896-897-898-899-900-901-902-903-904-905-906-907-908-909-910-911-912-913-914-915-916-917-918-919-920-921-922-923-924-925-926-927-928-929-930-931-932-933-934-935-936-937-938-939-940-941-942-943-944-945-946-947-948-949-950-951-952-953-954-955-956-957-958-959-960-961-962-963-964-965-966-967-968-969-970-971-972-973-974-975-976-977-978-979-980-981-982-983-984-985-986-987-988-989-990-991-992-993-994-995-996-997-998-999-1000)

## Chapter 4: Devolved Revenue and Expenditure

### Devolved and Reserved Revenue in Scotland 2022-23



### Devolved and Reserved Expenditure in Scotland 2022-23



# 4 Devolved Revenue and Expenditure

## Introduction

This chapter provides information on the amount of public sector revenue and expenditure currently devolved to Scotland as well as that to be devolved under 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 2022-23 is estimated at £21.3 billion.

	<b>£ million</b>		
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Council tax	2,564	2,640	2,760
Non-domestic rates	1,816	2,108	2,848
Land and buildings transaction tax (devolved from 2015-16)	517	814	858
Scottish landfill tax (devolved from 2015-16)	107	122	110
Non-savings and non-dividend income tax liabilities (devolved from 2016-17) <sup>1</sup>	11,948	13,342	14,765
<b>Total devolved taxes</b>	<b>16,952</b>	<b>19,026</b>	<b>21,341</b>

<sup>1</sup> 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 2022-23 is the SFC forecast from May 2023.

Further devolution of taxes is due to continue, 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.

<b>Table 4.2: Revenue to be devolved under Scotland Act 2016</b>			
	<b>£ million</b>		
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Air passenger duty (date of devolution to be decided)	26	95	252
Aggregates levy (date of devolution to be decided)	57	58	59
VAT assignment (in transition from 2019-20)	4,842	5,877	6,627

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

### 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.

<b>Table 4.3: Social security devolved prior to Scotland Act 2016</b>			
	<b>£ million</b>		
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Council tax reduction	374	358	374
Scottish welfare fund	49	54	56
Discretionary housing payments	76	79	79
<b>Total</b>	<b>500</b>	<b>490</b>	<b>509</b>

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.

<sup>25</sup> [Fiscal framework: agreement between the Scottish and UK Governments - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/fiscal-framework-agreement-between-the-scottish-and-uk-governments-2020-2023/pages/100-109.pdf)

<sup>26</sup> [Fiscal framework outturn report: 2022 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/fiscal-framework-outturn-report-2022-23/pages/100-109.pdf)

<b>Table 4.4: Devolved social security under Scotland Act 2016</b>			
	<b>£ million</b>		
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Administered by Social Security Scotland</b>			
Best Start Grant (previously Sure Start maternity grant <sup>1</sup> )	18	14	21
Best Start Foods	11	14	13
Funeral Support Payment (previously Funeral Payment <sup>2</sup> )	11	10	10
Scottish Child Payment	6	56	213
Carer's Allowance Supplement	59	58	44
Child Winter Heating Assistance	3	5	6
Winter Heating Payment (previously Cold Weather Payments <sup>3</sup> )	21	0	20
Child Disability Payment	-	5	215
Adult Disability Payment	-	0	99
Job Start Payment	0	1	0
Child Carer's Grant	1	1	1
<b>Administered by Department and Work and Pensions under an Agency Agreement</b>			
Attendance Allowance	528	515	554
Carer's Allowance	296	294	314
Disability living allowance	722	686	524
Personal independence payment	1,626	1,739	1927
Industrial injuries disablement benefit	83	80	78
Severe disablement allowance	7	7	6
<b>Benefits yet to be devolved</b>			
Winter fuel payment	169	171	173
<b>Total expenditure on social security to be devolved</b>	<b>3,561</b>	<b>3,642</b>	<b>4,148</b>

Notes:

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

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

<sup>3</sup> Cold Weather Payments were replaced in Scotland by the Scottish Government's Winter Heating Payment in February 2023.

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

<sup>27</sup> [Fiscal framework: agreement between the Scottish and UK Governments - gov.scot \(www.gov.scot\)](https://www.gov.scot)

<sup>28</sup> [Fiscal framework outturn report: 2022 - gov.scot \(www.gov.scot\)](https://www.gov.scot)



### Summary of current and proposed devolved powers

The table below shows estimates of devolved receipts and expenditure before and after the implementation of the Scotland Acts 2012 and 2016.

	Before Scotland Acts 2012 and 2016	After Scotland Acts 2012 and 2016
Non-saving non-dividend income tax liabilities	-	14,764
Council tax	2,760	2,760
Non-domestic rates	2,848	2,848
Land and buildings transaction tax	-	858
Scottish landfill tax (devolved from 2015-16)	-	110
Air passenger duty (date to be decided)	-	252
Aggregates levy (date to be decided)	-	59
<b>Total devolved taxes</b>	<b>5,608</b>	<b>21,651</b>
<b>Devolved taxes as % of non-North Sea Scottish revenue</b>	<b>7%</b>	<b>28%</b>
<b>as % of revenue incl geographical share of North Sea revenue</b>	<b>6%</b>	<b>25%</b>
Assigned VAT (in transition from 2019-20)	-	6,627
<b>Total devolved and assigned taxes</b>	<b>5,608</b>	<b>28,278</b>
<b>Devolved and assigned taxes as % of non-North Sea Scottish revenue</b>	<b>7%</b>	<b>36%</b>
<b>as % of taxes incl geographical share of North Sea revenue</b>	<b>6%</b>	<b>32%</b>
Devolved expenditure including housing benefit <sup>1</sup> (HB)	58,856	63,004
<b>Devolved taxes as % of estimated devolved expenditure</b>	<b>10%</b>	<b>34%</b>
<b>Devolved and Assigned taxes as % of estimated devolved expenditure</b>	<b>10%</b>	<b>45%</b>

<sup>1</sup> 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

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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.

<b>Table A.1: Financial Year Population Estimates (thousands)</b>			
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Scotland	5,469	5,480	5,480
UK	67,056	66,980	66,980
<b>As % of UK total</b>	<b>8.2%</b>	<b>8.2%</b>	<b>8.2%</b>

Note: Financial year estimates are calculated as the weighted average of the relevant mid-year estimates. I.e., the 2020-21 population is estimated as three-quarters of the 2020 population plus one quarter of the 2021 population. Figures for 2022-23 have been rolled forward from 2021-22. Figures for all years will be updated after the results of the Scottish Census and updated Mid-Year Estimates are published.

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.

<b>Table A.2: Current and Capital Budgets: Scotland</b>			
	<b>£ million</b>		
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
<b>Current Budget</b>			
Revenue			
Excl. North Sea revenue	61,670	70,035	78,110
Population share North Sea revenue	61,713	70,253	78,975
Geographical share North Sea revenue	62,423	72,481	87,496
Current expenditure	89,232	86,813	95,129
Capital consumption	5,641	5,443	5,944
<b>Balance on current budget</b>			
<b>(surplus is positive, deficit is negative)</b>			
<b>Excluding North Sea revenue</b>	<b>-33,203</b>	<b>-22,220</b>	<b>-22,963</b>
<b>Population share North Sea revenue</b>	<b>-33,160</b>	<b>-22,002</b>	<b>-22,099</b>
<b>Geographical share North Sea revenue</b>	<b>-32,451</b>	<b>-19,774</b>	<b>-13,577</b>
<b>Capital Budget</b>			
Capital expenditure	11,043	10,567	11,506
Capital consumption	-5,641	-5,443	-5,944
<b>Net Investment</b>	<b>5,402</b>	<b>5,124</b>	<b>5,562</b>
<b>Net Fiscal Balance (surplus is positive, deficit is negative)</b>			
<b>Excluding North Sea revenue</b>	<b>-38,605</b>	<b>-27,345</b>	<b>-28,525</b>
<b>Population share North Sea revenue</b>	<b>-38,562</b>	<b>-27,127</b>	<b>-27,661</b>
<b>Geographical share North Sea revenue</b>	<b>-37,853</b>	<b>-24,899</b>	<b>-19,139</b>

## GDP

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

<b>Table A.3: Scottish GDP including and excluding North Sea GDP</b>			
	<b>£ million</b>		
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Scottish GDP			
Excl. North Sea	152,283	174,345	189,588
Population share North Sea	153,250	176,363	191,905
Geographical share North Sea revenue	161,911	194,371	212,910
UK GDP	2,085,204	2,337,907	2,531,870

Source: Quarterly National Accounts Scotland, [Economy statistics - gov.scot](https://www.gov.scot) ([www.gov.scot](https://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.

<b>Table A.4: Calendar year general government estimates: Scotland and UK</b>			
	<b>£ million</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Net Fiscal Balance</b>			
Excluding North Sea revenue	-35,323	-32,087	-27,764
Population share North Sea revenue	-35,313	-31,952	-27,268
Geographical share North Sea revenue	-34,910	-30,456	-22,435
<i>UK</i>	-276,607	-180,965	-116,354
	<b>As % of GDP</b>		
Excluding North Sea revenue	-23.0%	-19.0%	-14.8%
Population share North Sea revenue	-22.8%	-18.8%	-14.4%
Geographical share North Sea revenue	-21.3%	-16.4%	-10.6%
<i>UK</i>	-13.1%	-8.0%	-4.7%

### 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.

<b>Table A.5: Confidence intervals around survey based apportionments: Scotland</b>					
	<b>£ million</b>				
	<b>Central estimate</b>	<b>95% lower bound</b>	<b>95% upper bound</b>	<b>Range</b>	<b>Range (%)</b>
National insurance contributions	13,345	13,119	13,572	+/-227	+/-1.7%
VAT <sup>1</sup>	13,253	12,617	13,889	+/-636	+/-4.8%
Tobacco duties	1,073	1,054	1,091	+/-18	+/-1.7%
Alcohol duties	1,214	1,117	1,311	+/-97	+/-8.0%
Betting and gaming duties	223	220	226	+/-3	+/-1.4%
Insurance premium tax	528	518	539	+/-11	+/-2.0%
<b>Total survey based apportionments</b>	<b>29,637</b>	<b>28,645</b>	<b>30,629</b>	<b>+/-992</b>	<b>+/-3.3%</b>

<sup>1</sup> The estimate of VAT uncertainty is a Scottish Government estimate, based on data published as part of the Scottish VAT Assignment experimental statistics publication<sup>29</sup>

### 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 2021-22 and this GERS report, a small number of supplementary amendments to the CRA 2021-22 dataset are made in producing GERS. The aim of these refinements is to ensure that the public sector expenditure figure for Scotland captures as accurately as possible expenditure for the benefit of Scottish residents.

The amendments made to the CRA in producing this edition of GERS are shown in Table A.6. They are discussed in the detailed expenditure methodology paper available at:

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

As the CRA for 2022-23 is not yet published, there are no formal amendments to individual spending lines in 2022-23. The 2021-22 adjustments are in effect carried forward into 2022-23, adjusted for the spending of the responsible department. Further detail is provided in the expenditure methodology note.

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

**Table A.6: Amendments to Estimates of Total Public Sector Expenditure on Services from CRA 2022**

	£ million		
	2019-20	2020-21	2021-22
<b>Amendments from the CRA</b>			
High Speed 2	-72	-80	-119
Nuclear-related expenditure	-38	-9	-22
Other minor revisions	-6	0	4
<b>Total CRA amendments</b>	<b>-110</b>	<b>-82</b>	<b>-130</b>

Note: Amendments do not include EU Transactions

### Differences between GERS and PESA in 2022-23

As set out in Chapter 3, Scottish Government spending in GERS is based on data from the Scottish Government's Directorate for Financial Management. Normally this spending is consistent with the Scottish Government spending in PESA, however, in this edition of GERS there is a difference relating to transport spending, following the transfer of ScotRail into public ownership on 1 April 2022.

Currently, spending by ScotRail's holding company, Scottish Rail Holding Ltd, includes £600 million of spending on rolling stock leases, in line with IFRS16. This spending is currently not included within the Total Expenditure on Services framework in PESA, and the ONS makes its own adjustments for IFRS16 in calculating overall Total Managed Expenditure. We will discuss with HM Treasury how this spend should be recorded for the next Country and Regional Analysis publication. In the interim, we have decided to continue to include this spending in GERS, which ensures that transport spend is consistent between 2021-22 and 2022-23. This means that Scottish Government spending in GERS is £600 million higher than in PESA for 2022-23.

### 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.

The capital accounting adjustment for the UK in 2022-23 has a relatively large negative residual. This primarily relates to adjustments to spending data made by ONS to remove expenditure associated with leases under IFRS16, where different data sources are used in the Public Sector Finances.

Note that the capital consumption figures in Table A.8 do not match the capital consumption figures in Table A.2. This is because the overall capital consumption figures in Table A.2 include capital consumption of public corporations, which are not

included in accounting adjustments. Scotland continues to be apportioned a population share of this residual. We will keep these adjustments under review for future publications.

<b>Table A.7: Expenditure Accounting Adjustment: UK</b>			
	<b>£ million</b>		
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
UK total managed expenditure (TME)	1,106,729	1,041,465	1,154,930
UK total expenditure on services (TES)	1,011,380	954,100	1,068,007
<b>UK accounting adjustment</b>	<b>95,349</b>	<b>87,365</b>	<b>86,923</b>
<b>of which current expenditure:</b>			
Central government capital consumption	31,022	31,946	35,296
Local government capital consumption	15,821	16,365	17,870
Current VAT refunds	18,236	20,588	22,307
Imputed subsidy from Local Authorities to the Housing Revenue Account <sup>1</sup>	1,930	3,000	3,497
Imputed flows for Renewable Obligation Certificates <sup>2</sup>	6,296	6,296	6,756
British Transport Police Service Agreements	145	145	145
Current expenditure residual	9,099	-689	4,572
<b>of which capital expenditure:</b>			
Capital VAT refunds	2,459	2,573	2,788
Housing associations	165	165	165
Student loans	10,815	9,714	9,714
Capital expenditure residual	-639	-2,738	-16,187

<sup>1</sup> The Housing Revenue Account (HRA) is classified as a public corporation by the ONS, which means that they pay dividends on their profits to local authorities. To ensure that these dividends are non-negative, the ONS imputes a subsidy from local authorities to HRAs to cover any shortfall (offset in public corporation gross operating surplus, which scores on the revenue side of the account).

<sup>2</sup> Renewable Obligation Certificates are bought and sold by energy companies. The ONS has decided that these flows should be channelled through central government and so impute offsetting amounts of spending and income.

**Table A.8: Expenditure Accounting Adjustment: Scotland**

	£ million		
	2020-21	2021-22	2022-23
Scottish total managed expenditure (TME)	100,275	97,380	106,635
Scottish total expenditure on services (TES)	91,994	89,612	98,793
<b>Scottish accounting adjustment</b>	<b>8,282</b>	<b>7,768</b>	<b>7,843</b>
<b>Percentage of UK accounting adjustment</b>	<b>8.7%</b>	<b>8.9%</b>	<b>9.0%</b>
<b>of which current expenditure:</b>			
Central government capital consumption	2,961	3,050	3,369
Local government capital consumption	1,624	1,680	1,834
Current VAT refunds	1,629	1,913	2,072
Imputed subsidy from Local Authorities to the Housing Revenue Account <sup>1</sup>	142	220	257
Imputed flows for Renewable Obligation Certificates <sup>2</sup>	747	747	802
British Transport Police Service Agreements	12	12	12
Current expenditure residual	738	-56	374
<b>of which capital expenditure:</b>			
Capital VAT refunds	220	239	259
Housing associations	0	0	0
Student loans	262	188	188
Capital expenditure residual	-52	-224	-1,324

<sup>1, 2</sup> 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.



<b>Table A.9: Accounting Adjustments, Revenue and Expenditure: Scotland, 2022-23</b>			
	<b>Expenditure AA</b>	<b>Revenue AA</b>	<b>Revenue line</b>
	<b>£ million</b>		
<b>Of which current expenditure:</b>			
Central government capital consumption	3,369	3,369	Gross operating surplus
Local government capital consumption	1,834	1,834	Gross operating surplus
Current VAT refunds	2,072	2,072	VAT refunds
Imputed subsidy from Local Authorities to the Housing Revenue Account	257	-	n/a
Imputed flows for Renewable Obligation Certificates	802	802	Environmental levies
British Transport Police Service Agreements	12	12	Other taxes, royalties, and adjustments
Current expenditure residual	374	-	n/a
<b>Of which capital expenditure:</b>			
Capital VAT refunds	259	259	VAT refunds
Housing associations	0	-	n/a
Student loans	188	-	n/a
Capital expenditure residual	-1,324	-	n/a
<b>Total accounting adjustments</b>	<b>7,843</b>	<b>8,347</b>	

### 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.

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[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 2021-22 rather than 2022-23, as this is the latest year for which published accounts are available for both the Scottish Government and Scottish local government. 2022-23 figures in GERS are based on provisional outturn estimates.

<b>Table A.10: Reconciliation of published budget documents to GERS expenditure Table 3.8 (2021-22, £ billion)</b>	
<b>Scottish Government and public corporations</b>	
Published Scottish Government outturn <sup>1</sup>	55.6
<b>Adjustments to align budget to CRA measure of spending</b>	
Grants to other public sector bodies (e.g. local government)	-14.2
Pensions	-5.7
Depreciation	-0.6
Financial transactions associated with student loans, public corporations, and borrowing	-0.3
Adjustments to move from spend 'in' Scotland to spend 'for' Scotland <sup>2</sup>	-0.1
Other	0.6
<b>Final Scottish Government expenditure on services for Scotland</b>	<b>35.3</b>
<b>Scottish Local Government</b>	
Published Local Government gross current expenditure <sup>3</sup>	18.1
Income excluding grants from Central Government <sup>4</sup>	-5.5
Housing benefit	1.3
Published Local Government gross capital expenditure <sup>5</sup>	3.3
Income from sales of capital assets <sup>6</sup>	0.0
<b>Final Scottish Local Government expenditure on services for Scotland</b>	<b>17.2</b>
<b>Scottish Government, PC &amp; Local Government expenditure on services for Scotland</b>	<b>52.5</b>
<b>National Accounts adjustments<sup>7</sup></b>	
Capital consumption	4.7
VAT refunds	1.9
Local Government pension fund interest expenditure	1.7
Other accounting adjustments	0.9
<b>Final Scottish Government, PC, and Scottish Local Government TME</b>	<b>61.8</b>

<sup>1</sup> Scottish Government 2021-22 Final Outturn Report

<sup>2</sup> These are adjustments made to Scottish Government spending in HM Treasury's CRA publication. They primarily relate to spending on museums and pensions, to reflect where spending undertaken by the Scottish Government benefits residents from the rest of the UK.

<sup>3</sup> Scottish Local Government Finance Statistics 2021-22, 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).

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

<sup>5</sup> Scottish Local Government Finance Statistics 2021-22, publication tables Capital Expenditure (chart 3.1) and Financing (chart 3.5). All services total gross capital expenditure.

<sup>6</sup> As Note 5. Total capital fund and capital receipts.

<sup>7</sup> See Table A.8

# B Revisions

This section presents revisions from the previous GERS 2021-22 publication.

## Revisions to Non-North Sea Revenue Estimates from GERS 2021-22

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. Revisions to UK totals will reflect greater uncertainty to the provisional 2021-22 figures due to the coronavirus pandemic.

There are a number of revisions to UK revenue totals from GERS 2021-22, with overall UK revenue for 2021-22 revised by 0.4%. The main revisions relate to income tax, corporation tax, non-domestic rates, reserved stamped duties, and other receipts. In general, revenue in 2021-22 continued to have been affected by the pandemic, which is likely to have resulted in larger than usual revisions.

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

<b>Table B.1: Revision to Estimates of Total Non-North Sea Revenue</b>			
	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
<b>Scotland</b>			
Estimates published in GERS 2021-22	65,225	61,900	70,311
Estimates published in GERS 2022-23	65,339	61,670	70,035
<b>Revision (£m)</b>	<b>114</b>	<b>-229</b>	<b>-276</b>
<b>UK</b>			
Estimates published in GERS 2021-22	828,679	794,210	913,339
Estimates published in GERS 2022-23	826,024	792,980	916,648
<b>Revision (£m)</b>	<b>-2,655</b>	<b>-1,230</b>	<b>3,309</b>
<b>Scotland/UK ratio</b>			
Estimates published in GERS 2021-22	<b>8.0%</b>	<b>7.9%</b>	<b>8.1%</b>
Estimates published in GERS 2022-23	<b>8.0%</b>	<b>7.9%</b>	<b>7.9%</b>
<b>Revision (% point)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-0.2%</b>

Scottish revisions broadly reflect these UK revisions, the main differences relating to national insurance contributions and onshore corporation tax, 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/public-sector-finances)

<b>Table B.2: Revision to Estimates of Public Sector Revenue: Scotland and UK 2021-22</b>				
	<b>£ million</b>		<b>%</b>	
	<b>Scotland</b>	<b>UK</b>	<b>Scotland</b>	<b>UK</b>
Income tax	-181	-2,888	-1.2%	-1.3%
National insurance contributions	-131	101	-1.1%	0.1%
Value added tax	-43	921	-0.4%	0.6%
Corporation tax (excluding North Sea)	205	6,297	5.3%	10.1%
Fuel duties	200	0	9.7%	0.0%
Non-domestic rates	0	1,029	0.0%	4.2%
Council tax	-7	372	-0.3%	0.9%
VAT refunds	188	816	9.6%	3.7%
Capital gains tax	-74	353	-10.9%	2.4%
Inheritance tax	2	-3	0.8%	0.0%
Reserved stamp duties	4	-1,890	1.3%	-9.1%
Scottish Land & Buildings transaction tax	-12	-12	-1.5%	-1.5%
Scottish landfill tax	-4	-4	-2.8%	-2.8%
Air passenger duty	-1	0	-1.0%	0.0%
Tobacco duties	-120	0	-9.3%	0.0%
Alcohol duties	-3	-27	-0.2%	-0.2%
Insurance premium tax	7	-15	1.5%	-0.2%
Vehicle excise duties	1	33	0.2%	0.5%
Environmental levies	0	0	0.0%	0.0%
Other taxes	53	-181	2.1%	-0.6%
<b>Total Non-North Sea taxes</b>	<b>86</b>	<b>4,902</b>	<b>0.1%</b>	<b>0.6%</b>
Other Revenue				
Interest and dividends	20	464	1.0%	1.9%
Gross operating surplus	-134	-819	-1.9%	-1.3%
Other receipts	-248	-1,238	-57.9%	-37.4%
<b>Total non-North Sea revenue</b>	<b>-276</b>	<b>3,309</b>	<b>-0.4%</b>	<b>0.4%</b>

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

### Revisions to North Sea Revenue Estimates from GERS 2021-22

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 down in 2021-22, reflecting both a downward revision to the UK total but also a downward revision to the Scottish share. Last year, we anticipated that rising energy prices would see the share of corporation tax raised in Scottish waters fall from 118% to 100%. It is now estimated that it fell to 88%. Estimates for previous years are largely unrevised.

**Table B.3: Revisions to North Sea Revenue: 2019-20 to 2021-22**

	£ million		
	2019-20	2020-21	2021-22
<b>Scotland (illustrative geographical share)</b>			
Estimates published in GERS 2021-22	833	765	3,464
Estimates published in GERS 2022-23	825	752	2,446
Revision	<b>-8</b>	<b>-13</b>	<b>-1,018</b>
<b>UK</b>			
Estimates published in GERS 2021-22	643	522	3,214
Estimates published in GERS 2022-23	643	522	2,662
Revision	<b>0</b>	<b>0</b>	<b>-552</b>

### Revisions to Expenditure Estimates from GERS 2021-22

Table B.4 sets out the changes in estimates of public expenditure in Scotland and the UK between this report and GERS 2021-22. 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 business support grants and Other UK Government Health spending. Business support grants were included in accounting adjustments in last year's publication, but this year are shown against Enterprise and Economic Development spending. This results in a downward revision to accounting adjustments (Other UK Government) and an upward revision of £740 million to Scottish Government spend on Enterprise and Economic Development.

Other UK Government spending on health has been revised up by £701 million. This reflects spending associated with NHS Test and Trace, where Scotland is allocated a population share in the Country and Regional Analysis. At the time of last year's publication, it was challenging to identify how much Department of Health and Social Care was associated with such schemes. We will continue to review the amount of Department of Health and Social Care spending is allocated to Scotland in future years.

<b>Table B.4: Revisions to Estimates of Total Expenditure: 2019-20 to 2021-22</b>			
	<b>£ million</b>		
	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
<b>Scotland</b>			
Estimates published in GERS 2021-22	81,960	98,439	97,502
Estimates published in GERS 2022-23	82,775	100,275	97,380
<b>Revision</b>	<b>816</b>	<b>1,836</b>	<b>-122</b>
<b>UK</b>			
Estimates published in GERS 2021-22	884,119	1,104,299	1,060,301
Estimates published in GERS 2022-23	888,650	1,106,729	1,041,465
<b>Revision</b>	<b>4,531</b>	<b>2,430</b>	<b>-18,836</b>
<b>Scotland/UK Ratio</b>			
Estimates published in GERS 2021-22	9.3%	8.9%	9.2%
Estimates published in GERS 2022-23	9.3%	9.1%	9.4%
<b>Revision (% point)</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.2%</b>

The table below shows the revisions to spend in 2021-22 by function, and by Scottish Government, Scottish local government, Scottish public corporations, and Other UK government bodies. Overall, Scottish spend in 2021-22 has been revised down by £122 million, primarily due to revisions to accounting adjustments.

**Table B.5: Revisions to Estimates of Public Sector Expenditure: Scotland and UK 2021-22**

	£ million					
	Scotland					UK
	SG	LG	PC	Other UKG Bodies	Total	
<b>General public services</b>						
Public and common services	6	-174	0	76	-91	453
International services	0	0	0	25	25	273
Public sector interest expenditure	0	0	0	-355	-355	1,667
Defence	0	0	0	16	16	58
Public order and safety	3	0	0	-166	-163	-2,525
<b>Economic affairs</b>						
Enterprise and economic development	740	-11	0	-5	724	3,092
Science and technology	0	0	0	-156	-156	-774
Employment policies	0	0	0	11	11	0
Agriculture, forestry and fisheries	0	-13	1	52	40	-388
Transport	5	-64	21	168	130	-546
Environment protection	-1	-61	0	5	-57	-119
Housing and community amenities	0	-105	-62	0	-167	-41
Health	0	0	0	701	701	-548
Recreation, culture and religion	-1	25	0	35	59	128
Education and training	2	662	0	-2	662	-123
Social protection	-52	-200	0	547	295	1,348
EU Transactions	0	0	0	-7	-7	-175
Accounting adjustments	-52	0	118	-1,855	-1,789	-20,617
<b>Total revision</b>	<b>650</b>	<b>59</b>	<b>78</b>	<b>-910</b>	<b>-122</b>	<b>-18,836</b>

Notes: SG: Scottish Government. LG: Local Government. PC: Public Corporations. UKG: UK Government.

## 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. Note that these figures do not match the figures for capital consumption shown in Table A.8, as the table below includes capital consumption associated with public corporations, which is not included in accounting adjustments.



<b>Table B.6: Revisions to capital consumption: 2019-20 to 2021-22</b>			
	<b>£ million</b>		
	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
<b>Scotland</b>			
Estimates published in GERS 2021-22	6,164	5,783	5,499
Estimates published in GERS 2022-23	5,952	5,641	5,443
<b>Revision</b>	<b>-212</b>	<b>-142</b>	<b>-56</b>

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

Unlike for public corporations' expenditure and operating surplus, detailed capital consumption data are not available on a public corporation basis from the ONS, as they are not separately identified within its perpetual inventory model.

### Revisions to Fiscal Aggregates

Table B.7 shows revisions to the current budget balance from the previous publication of GERS. The Scottish current budget deficit has increased in all years. This reflects the revisions to public sector interest expenditure discussed above.

<b>Table B.7: Revisions to Estimates of the Current Budget Balance: 2019-20 to 2021-22</b>			
	<b>£ million</b>		
	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
<b>Estimates published in GERS 2021-22</b>			
Excluding North Sea revenue	-13,854	-31,435	-20,816
Population share of North Sea revenue	-13,802	-31,392	-20,554
Geographical share of North Sea revenue	-13,021	-30,670	-17,352
<i>UK</i>	<i>-12,796</i>	<i>-238,047</i>	<i>-80,036</i>
<b>Estimates published in GERS 2022-23</b>			
Excluding North Sea revenue	-14,307	-33,203	-22,220
Population share of North Sea revenue	-14,255	-33,160	-22,002
Geographical share of North Sea revenue	-13,483	-32,451	-19,774
<i>UK</i>	<i>-19,259</i>	<i>-241,257</i>	<i>-73,569</i>
<b>Difference (£ million) (positive shows improvement)</b>			
Excluding North Sea revenue	-453	-1,768	-1,404
Population share of North Sea revenue	-453	-1,768	-1,448
Geographical share of North Sea revenue	-461	-1,781	-2,422
<i>UK</i>	<i>-6,463</i>	<i>-3,210</i>	<i>6,467</i>

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

<b>Table B.8: Revisions to Estimates of the Net Fiscal Balance: 2019-20 to 2021-22</b>			
	<b>£ million</b>		
	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
<b>Estimates published in GERS 2021-22</b>			
Excluding North Sea revenue	-16,735	-36,539	-27,191
Population share of North Sea revenue	-16,682	-36,497	-26,929
Geographical share of North Sea revenue	-15,902	-35,774	-23,727
<i>UK</i>	<i>-54,797</i>	<i>-309,567</i>	<i>-143,748</i>
<b>Estimates published in GERS 2022-23</b>			
Excluding North Sea revenue	-17,437	-38,605	-27,345
Population share of North Sea revenue	-17,384	-38,562	-27,127
Geographical share of North Sea revenue	-16,612	-37,853	-24,899
<i>UK</i>	<i>-61,983</i>	<i>-313,227</i>	<i>-122,155</i>
<b>Difference (£ million) (positive shows improvement)</b>			
Excluding North Sea revenue	-702	-2,066	-154
Population share of North Sea revenue	-702	-2,066	-198
Geographical share of North Sea revenue	-710	-2,079	-1,172
<i>UK</i>	<i>-7,186</i>	<i>-3,660</i>	<i>21,593</i>

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. In general, estimates of the fiscal aggregate have improved as a share of GDP for Scotland when including the North Sea, but worsened when the North Sea is excluded. These revisions reflect the downward revision to the nominal value of onshore GDP, and upward revision to the nominal value of offshore GDP, made in the Quarterly National Accounts Scotland for 2022Q3. This reflects routine annual update to bring the value of GVA in line with the latest UK regional accounts.

<b>Table B.9: Impact of Revisions to GDP on Estimates of the Current Budget Balance: 2019-20 to 2021-22</b>			
	<b>% GDP</b>		
	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
<b>Estimates published in GERS 2021-22</b>			
Excluding North Sea revenue	-7.2%	-19.4%	-9.0%
Population share of North Sea revenue	-8.2%	-20.6%	-11.7%
Geographical share of North Sea revenue	-8.3%	-20.7%	-12.0%
<i>UK</i>	-0.6%	-11.1%	-3.4%
<b>GERS 2021-22 estimate with latest GDP</b>			
Excluding North Sea revenue	-8.3%	-20.6%	-11.9%
Population share of North Sea revenue	-8.2%	-20.5%	-11.7%
Geographical share of North Sea revenue	-7.1%	-18.9%	-8.9%
<i>UK</i>	-0.6%	-11.4%	-3.4%
<b>Change (positive shows improvement)</b>			
Excluding North Sea revenue	-1.1%	-1.2%	-2.9%
Population share of North Sea revenue	0.0%	0.1%	0.0%
Geographical share of North Sea revenue	1.2%	1.7%	3.1%
<i>UK</i>	0.0%	-0.3%	-0.1%

<b>Table B.10: Impact of Revisions to GDP on Estimates of the Net Fiscal Balance: 2019-20 to 2021-22</b>			
	<b>% GDP</b>		
	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
<b>Estimates published in GERS 2021-22</b>			
Excluding North Sea revenue	-8.8%	-22.7%	-12.3%
Population share of North Sea revenue	-9.9%	-23.9%	-15.3%
Geographical share of North Sea revenue	-10.1%	-24.1%	-15.7%
<i>UK</i>	-2.4%	-14.5%	-6.1%
<b>GERS 2021-22 estimate with latest GDP</b>			
Excluding North Sea revenue	-10.0%	-24.0%	-15.6%
Population share of North Sea revenue	-9.9%	-23.8%	-15.3%
Geographical share of North Sea revenue	-8.7%	-22.1%	-12.2%
<i>UK</i>	-2.4%	-14.8%	-6.1%
<b>Change (positive shows improvement)</b>			
Excluding North Sea revenue	-1.2%	-1.3%	-3.3%
Population share of North Sea revenue	0.1%	0.1%	0.0%
Geographical share of North Sea revenue	1.4%	2.0%	3.4%
<i>UK</i>	0.0%	-0.4%	-0.1%

# C

## List of Abbreviations

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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
IFRS16	International Financial Reporting Standard 2016
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
PESA	Public Expenditure Statistical Analyses
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

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**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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