

GOVERNMENT  
EXPENDITURE & REVENUE  
SCOTLAND 2018-19

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AUGUST 2019



Scottish Government  
Riaghaltas na h-Alba  
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# SUMMARY

## Introduction

- Government Expenditure and Revenue Scotland (GERS) addresses three questions about Scotland's public sector finances under the current constitutional arrangements:
  - What revenues were raised in Scotland?
  - How much did the country pay for the public services that were consumed?
  - To what extent did the revenues raised cover the costs of these public services?
- GERS is a National Statistics publication. It is assessed by the independent UK Statistics Authority to ensure that it meets the Code of Practice for Statistics.
- The estimates in GERS are consistent with the UK Public Sector Finances published in July 2019 by the Office for National Statistics (ONS). 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.

<b>Table S.1: Net Fiscal Balance: Scotland and UK 2014-15 to 2018-19</b>					
	<b>£ million</b>				
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Scotland - Excluding North Sea	-15,369	-15,535	-15,187	-15,192	-14,060
Scotland - Including North Sea (geographical share)	-13,992	-15,484	-14,921	-13,766	-12,630
<i>UK</i>	<i>-89,870</i>	<i>-71,840</i>	<i>-44,878</i>	<i>-41,796</i>	<i>-23,533</i>
	<b>As % of GDP</b>				
Scotland - Excluding North Sea	-10.5%	-10.5%	-10.0%	-9.6%	-8.5%
Scotland - Including North Sea (geographical share)	-8.7%	-9.7%	-9.2%	-8.1%	-7.0%
<i>UK</i>	<i>-4.9%</i>	<i>-3.8%</i>	<i>-2.3%</i>	<i>-2.0%</i>	<i>-1.1%</i>

- Excluding North Sea revenue, the net fiscal balance for Scotland tends to move in line with the figure for the UK, but is typically around 7 percentage points weaker. In 2018-19, it improved by 1.1 percentage points, compared to a 0.9 percentage point improvement for the UK. When including the North Sea, the movement in Scotland's net fiscal budget balance is more variable, and does not follow the same pattern as the UK. It also improved by 1.1 percentage points in 2018-19.
- The current budget balance shows the difference between revenue and current expenditure only. It therefore excludes public sector capital investment. It measures the degree to which taxpayers meet the cost of paying for day-to-day public services, excluding capital investment. It is shown in Table S.2 overleaf.
- The current budget balance for Scotland tends to move in line with the net fiscal balance, figure for the UK but is typically around 2 percentage points smaller as a share of GDP.

This reflects that capital spending is relatively stable as a share of total spending over time. In 2018-19, the Scottish current budget balance excluding the North Sea improved by 1.1 percentage points, although it remained in deficit. The UK current budget balance, which has been in surplus since 2017-18, improved by 0.8 percentage points.

**Table S.2: Current Budget Balance: Scotland and UK 2014-15 to 2018-19**

	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
Scotland - Excluding North Sea	-12,655	-12,677	-11,030	-10,744	-9,376
Scotland - Including North Sea (geographical share)	-11,278	-12,627	-10,764	-9,318	-7,947
<i>UK</i>	-53,256	-37,766	-6,416	861	18,121
	As % of GDP				
Scotland - Excluding North Sea	-8.7%	-8.6%	-7.2%	-6.8%	-5.7%
Scotland - Including North Sea (geographical share)	-7.0%	-7.9%	-6.6%	-5.5%	-4.4%
<i>UK</i>	-2.9%	-2.0%	-0.4%	0.0%	0.8%

- The charts on page 6 show the estimates of the current budget balance and net fiscal balance for Scotland and the UK since 1998-99. Figures for all tables back to 1998-99 are available in the accompanying spreadsheets online.

### Scotland's revenue

- Table S.3 shows two estimates of Scotland's public sector revenue: (i) excluding North Sea revenue, and (ii) including an illustrative geographical share of North Sea revenue. Estimates including a population share of North Sea revenue are available in the main chapters.
- Scotland's estimated non-North Sea revenue in 2018-19 was £61.3 billion. As a percentage of GDP, non-North Sea revenues increased to 37.2%.
- Non-North Sea revenue grew by 5.1% in 2018-19. This relatively strong growth is driven by increased income tax and VAT revenue, which are both estimated to have increased by over 7%. Income tax growth in 2018-19 has increased following policy changes to Scottish income tax and also increased earnings growth. Revenue growth in the UK as a whole was slower at 4.5%.
- Including an illustrative geographical share of the North Sea, total Scottish revenue was £62.7 billion, an increase of 4.9% from 2017-18. This is slower than the growth in non-North Sea revenue, reflecting the fact that Scottish North Sea revenue remained largely unchanged, increasing by £4 million, from £1,426 million in 2017-18 to £1,430 million in 2018-19.
- Scotland's non-North Sea revenue was 7.8% of total UK revenue in 2018-19. Including an illustrative geographical share of the North Sea, Scottish revenue was 8.0% of the UK total.

<b>Table S.3: Total Revenue: 2014-15 to 2018-19</b>					
	<b>£ million</b>				
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Scotland – Excluding North Sea revenue	53,034	53,805	56,245	58,327	61,278
Scotland – Including North Sea revenue (geographical share)	54,411	53,855	56,511	59,752	62,708
	<b>As % of UK total revenue</b>				
Scotland – Excluding North Sea revenue	8.0%	7.9%	7.7%	7.8%	7.8%
Scotland – Including North Sea revenue (geographical share)	8.2%	7.9%	7.8%	7.9%	8.0%
	<b>As % of GDP</b>				
Scotland – Excluding North Sea revenue	36.3%	36.5%	36.8%	36.8%	37.2%
Scotland – Including North Sea revenue (geographical share)	34.0%	33.8%	34.6%	35.0%	34.7%
<i>UK – including all North Sea revenue</i>	<i>35.6%</i>	<i>35.8%</i>	<i>36.5%</i>	<i>36.4%</i>	<i>36.8%</i>

- Table S.4 below shows estimates of revenue per person for Scotland and the UK. Excluding North Sea revenue, revenue per person in Scotland is lower than the UK average by £552 in 2018-19, and has been consistently lower in earlier years.
- Including an illustrative geographical share of North Sea revenue, the difference between revenue per person in Scotland and the UK is quite variable. In the latest year, including an illustrative geographical share of North Sea revenue, revenue per person was £307 lower than the UK average.

<b>Table S.4: Revenue per person: Scotland and UK 2014-15 to 2018-19</b>					
	<b>£ per person</b>				
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>Scotland</b>					
Excluding North Sea revenue	9,906	9,999	10,397	10,745	11,268
Including North Sea revenue (geographical share)	10,163	10,008	10,446	11,008	11,531
<b>UK</b>					
Excluding North Sea revenue	10,180	10,499	11,058	11,367	11,820
Including North Sea revenue	10,206	10,498	11,059	11,386	11,838
<b>Difference (Scotland minus UK)</b>					
Excluding North Sea revenue	-274	-500	-661	-621	-552
Including North Sea revenue (geographical share)	-43	-489	-613	-378	-307

Note: An error was identified in this table on 13 December 2019 for the figure for Scottish revenue per person excluding North Sea revenue in 2016-17. This error had no effect on any of the other tables or numbers in the publication and has now been corrected.

## Scotland's spending

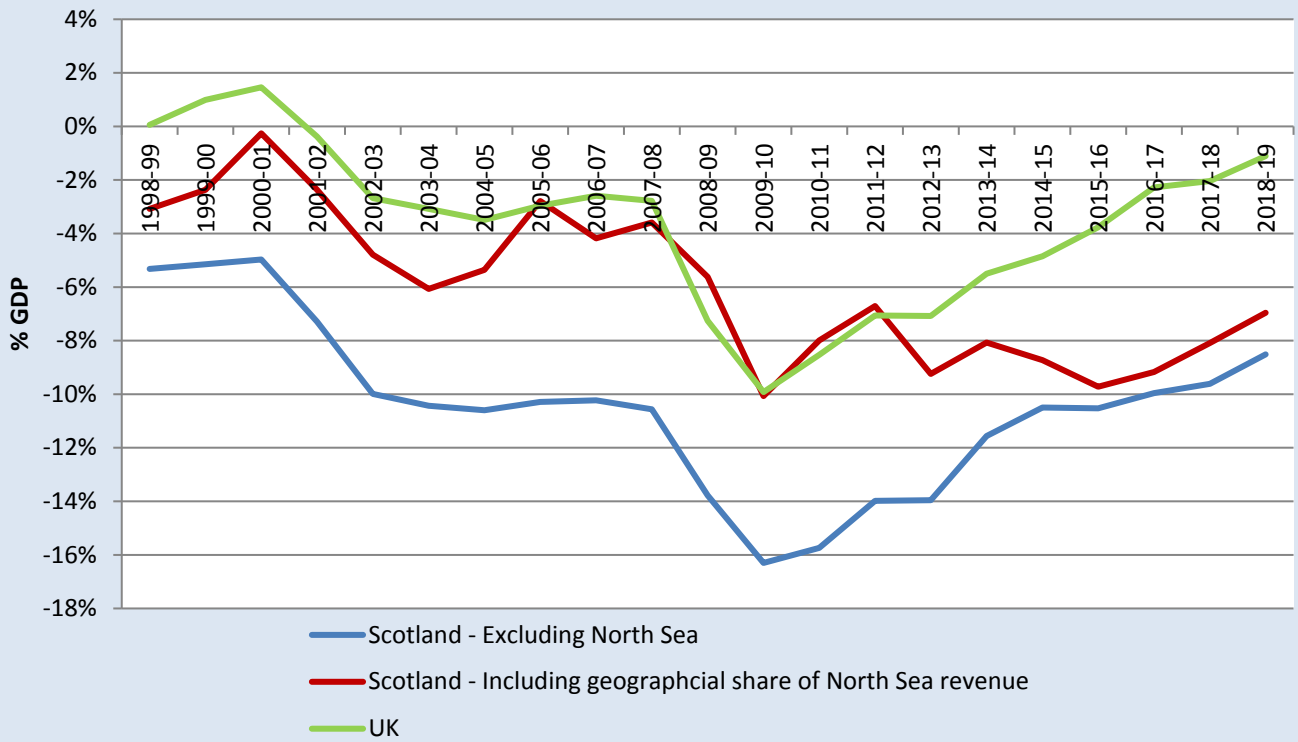
- Table S.5 below shows estimates of public spending for Scotland and the UK. Expenditure increased from £73.5 billion in 2017-18 to £75.3 billion in 2018-19. Scotland's share of UK expenditure is relatively stable over the period, at around 9.2%.
- In general, spending as a share of GDP has been falling in recent years, meaning public spending has grown more slowly than nominal GDP. Expenditure as a share of GDP excluding the North Sea fell by 0.7 percentage points in Scotland in 2018-19, compared to 0.5 percentage points in the UK. This reflects GDP growing relatively faster in Scotland.
- Including an illustrative geographical share of the North Sea, expenditure as a share of GDP fell by 1.3 percentage points in 2018-19. This reflects an increase in North Sea GDP, which grew by 29% in 2018-19, helped by rising production.

<b>Table S.5: Total Public Sector Expenditure: 2014-15 to 2018-19</b>					
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Scotland - £ millions	68,403	69,339	71,432	73,518	75,338
Share of UK (%)	9.1%	9.2%	9.3%	9.2%	9.3%
	<b>As % of GDP</b>				
Scotland - excluding North Sea	46.3%	46.6%	46.4%	46.0%	45.3%
Scotland - including geographic share of North Sea	42.8%	43.5%	43.7%	43.0%	41.7%
<i>UK – including all North Sea</i>	40.5%	39.6%	38.8%	38.4%	37.9%

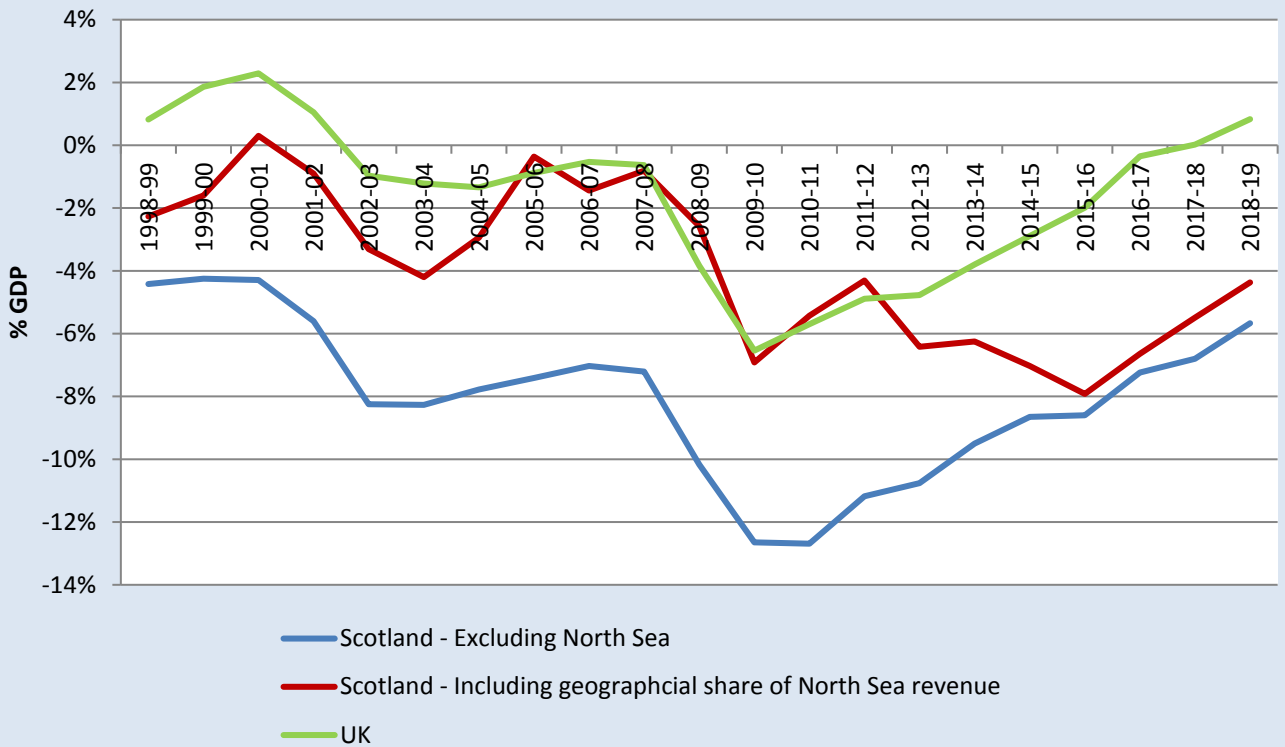
- Table S.6 below shows estimates of expenditure per person for Scotland and the UK. Expenditure for Scotland has been consistently higher per person than the UK average over the period.

<b>Table S.6: Total Expenditure per Person: Scotland and UK 2014-15 to 2018-19</b>					
	<b>£ per person</b>				
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Scotland	12,776	12,886	13,204	13,544	13,854
UK	11,594	11,599	11,741	12,018	12,193
<i>Difference (Scotland minus UK)</i>	1,182	1,287	1,463	1,526	1,661

### Net Fiscal Balance: Scotland & UK 1998-99 to 2018-19



### Current Budget Balance: Scotland & UK 1998-99 to 2018-19



**Box S.1: GERS Frequently Asked Questions**

The Scottish Government receives many questions from users about GERS. Below is a summary of some of the most frequently asked questions and their answers.

**Q: Is GERS a description of the whole Scottish economy?**

A: No. GERS reports only on public sector revenue and expenditure. Although these may be affected by economic performance, GERS does not directly report on Scotland's wider economy. If users are interested in the measurement of the economy as a whole, they should refer to other economic statistics products, such as the quarterly Gross Domestic product figures or Quarterly National Accounts Scotland (QNAS) ([www.gov.scot/gdp](http://www.gov.scot/gdp)), These publications provide estimates of real terms growth in the economy, and GDP in cash or nominal terms and its components.

**Q: What is the public sector?**

A: The public sector contains all government bodies, and all bodies which are controlled by government. This includes publicly controlled businesses, such as Scottish Water and the Bank of England. In GERS, the Scottish Government, Scottish Local Authorities, and the public corporations they control such as Scottish Water, are referred to as Scottish public sector bodies. All other UK public sector bodies are described as 'Other UK Government bodies'.

**Q: Who produces GERS?**

A: GERS is produced by Scottish Government statisticians. It is designated as a National Statistics product, which means that it is produced independently of Scottish Ministers and has been assessed by the UK Statistics Authority as being produced in line with the Code of Practice for Statistics. This means the statistics have been found to meet user needs, to be methodologically sound, explained well and produced free of political interference.

**Q: How do you decide on changes that are made to GERS?**

A: In line with the Code of Practice for Statistics, changes are made to GERS after consultation and discussion with users. This includes discussion at the annual Scottish Economic Statistics Consultation Group,<sup>1</sup> which brings together users of economic statistics from industry, academia and the wider public sector. Public consultation exercises, open to all, are also carried out to allow all users of GERS to comment on planned and suggested changes to GERS.

**Q: What income tax figures are presented in GERS?**

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

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

A: No. Corporation tax on trading profits is estimated on a company-by-company basis, depending on the economic activity each company has in Scotland, not location of company headquarters. VAT is a consumption tax, and is therefore estimated based on purchases that are made in Scotland, rather than the location of a company's head office.

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



**Q: How do taxes from the whisky industry feature in the GERS estimates?**

A: Like any industry, the whisky industry's activity in Scotland generates tax revenue through a range of sources, such as corporation tax on profits, income tax and national insurance contributions on staff earnings, and non-domestic rates payments on business premises. These are all captured in the estimates of Scottish public sector receipts reported in GERS.

In addition, whisky consumed in the UK is subject to VAT and alcohol duty. This is assigned to Scotland on the basis of how much is consumed in Scotland. Whisky which is exported does not generate UK VAT or alcohol duty. There is no export duty in the UK.

**Q: What are accounting adjustments and why do they feature in the GERS estimates?**

A: Accounting adjustments are used to present revenue and expenditure on a National Accounts basis, an international reporting standard used by governments. They normally reflect non-cash items, such as depreciation or pensions liabilities. In general, these adjustments do not affect the net fiscal balance or current budget balance, as they are added to both revenue and expenditure. In 2018-19, accounting adjustments added £5.0 billion to the estimate of Scottish public sector revenue and £5.1 billion to the estimate of Scottish public sector spending. Comparable accounting adjustments are also contained in the estimates of UK public sector spending and revenue. For more information on accounting adjustments and where they appear in the revenue tables, see Table A.9.

**Q: Is spending that does not occur in Scotland included in the estimates of Scottish public spending?**

A: Yes. GERS aims to capture all spending that benefits the residents of Scotland. This means it assigns Scotland a share of some expenditure which takes place outside Scotland. It also means that it does not assign to Scotland expenditure which occurs in Scotland but benefits non-Scottish residents.

For example, expenditure on embassies occurs outside Scotland, but provides benefits to Scottish residents and companies, such as Scottish tourists requiring consular services. As such, Scotland is allocated a population share of this expenditure in GERS. Likewise, spending on museums in Scotland benefits visitors from the rest of the UK, so not all of this spending is assigned to Scotland in GERS.

**Q: Why does GERS refer to public sector revenues rather than taxes?**

A: Public sector revenue covers all income received by the public sector. Although this is mostly taxes, there are some forms of revenue which are not taxes. These include income made by public corporations, such as Scottish Water, or dividend income from companies in which the government holds shares.

# PREFACE

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This report is the twenty-sixth 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>2</sup>

The main methodological changes this year relate to income tax and VAT. These are discussed in Boxes 1.1 and 1.2 respectively in Chapter 1.

The Scottish Government held a public consultation on a potential new publication on devolved finances in Scotland from June to September last year. A consultation response was published in November 2018, setting out the intention to produce a new statistical publication in this area. The Scottish Government is continuing to develop the publication, and will provide a further update once a publication date is confirmed.

Feedback from users of the publication is welcome. A correspondence address is available in the back leaf of the publication. Comments can be emailed to: [economic.statistics@gov.scot](mailto:economic.statistics@gov.scot)

## Recent Statistical Classification Decisions

On 28 September 2018, the ONS announced that registered social landlords in Scotland had been reclassified to the private sector, following the passing of the Housing (Amendment) (Scotland) Act 2018 and The Regulation of Social Housing (Influence of Local Authorities) (Scotland) Regulations 2018. This brings the treatment of these bodies in line with their counterparts in England, when the reclassification was made in 2017-18. The reclassification was effective from 19 September 2019, and means that there is a fall in some Scottish public sector revenue and expenditure in 2018-19, which should be borne in mind when making comparisons between Scotland and the UK in this year.

## 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?

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

## 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>3</sup>

## Expenditure

Public sector expenditure is estimated on the basis of spending incurred *for* the benefit of residents of Scotland. That is, a particular public sector expenditure is apportioned to a region if the benefit of the expenditure is thought to accrue to residents of that region.

This is a different measure from total public expenditure *in* Scotland. For most expenditure, spending *for* or *in* Scotland will be similar. For example, the vast majority of health expenditure by NHS Scotland occurs *in* Scotland and is *for* patients resident in Scotland. Therefore, the *in* and *for* approaches should yield virtually identical assessments of expenditure. However, for expenditure where the final impact is more widespread, such as defence, an assessment of 'who benefits' depends upon the nature of the benefit being assessed. Where there are differences between the *for* and *in* approaches, GERS estimates Scottish expenditure using a set of apportionment methodologies, refined over a number of years following consultation with and feedback from users.

The *for* approach considers the location of the recipients of services or transfers that public sector expenditure finances, irrespective of where the expenditure takes place. For example, with respect to defence expenditure, as the service provided is a national 'public good', the *for* methodology operates on the premise that the entire UK population benefits from the provision of a national defence service. Accordingly, under the *for* methodology, national defence expenditure is apportioned across the UK on a population basis.

Estimates of spending *in* Scotland are used in some Scottish Government publications, such as the Quarterly National Accounts. However, these do not provide a complete measure of spending, as some types of spending, such as welfare spending, are not reported. The Scottish Government is currently reviewing the potential to provide users with estimates of spending *in* Scotland, and information on how this would differ from spending *for* Scotland.

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<sup>3</sup> <http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/Methodology>

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## 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>4</sup>

The primary data sources used to estimate Scottish public sector expenditure in GERS are Scottish Government accounting data, and HM Treasury's Public Expenditure Statistical Analyses<sup>5</sup> and the supporting Country and Regional Analysis (CRA).<sup>6</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>7</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 2018-19.

The GERS website can be accessed via <http://www.gov.scot/gers>.

## Comparisons to other countries and regions of the UK

GERS does not provide comparisons of Scottish revenue and expenditure with other parts of the UK, as data are not available for 2018-19 for each country and region of the UK. Users who are interested in these comparisons are advised to use the Country and Regional Public Sector Finances publication published by the ONS, available at the link below. A comparison between the ONS and GERS figures for Scotland is provided in Box 1.3.

<https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/articles/countryandregionalpublicsectorfinances/financialyearending2018>

## International comparisons

The Scotland figures in the main tables in GERS are produced to be comparable to the UK figures presented in the ONS Public Sector Finances and the OBR Economic and Fiscal Outlook. These report for the public sector as a whole on a financial year basis. In contrast, organizations such as the European Commission and the International Monetary Fund (IMF) report countries' finances on a calendar year basis and for the government sector only. Figures for Scotland on this basis are available in Table A.4.

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<sup>4</sup> The latest Public Sector Finances dataset is available from <http://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/previousReleases>. As this dataset is updated monthly and subject to minor revision, figures in future data releases may differ from those used in this report.

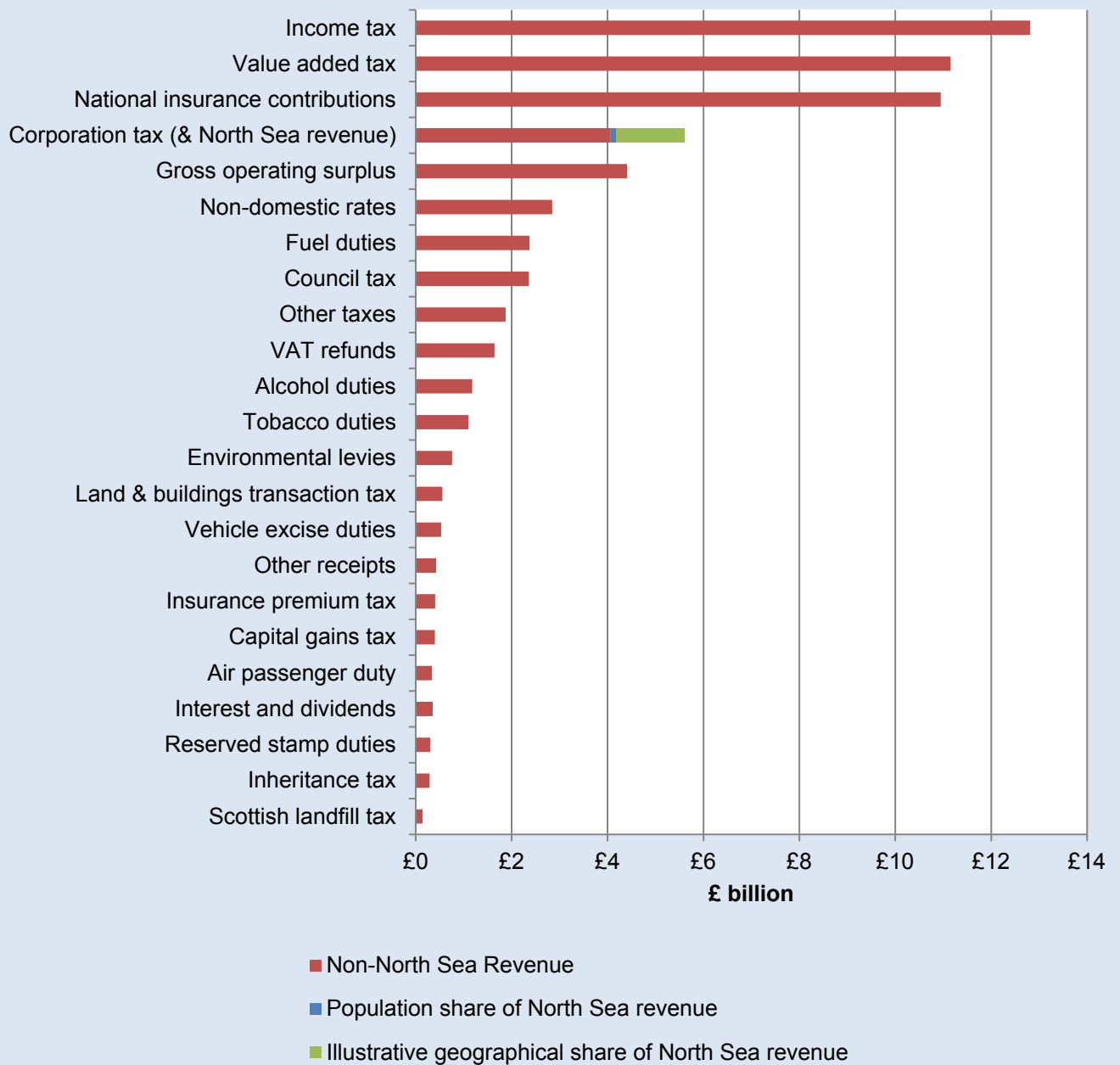
<sup>5</sup> <https://www.gov.uk/government/collections/public-expenditure-statistical-analyses-pesa>

<sup>6</sup> <https://www.gov.uk/government/collections/country-and-regional-analysis>

<sup>7</sup> <https://www.gov.scot/Topics/Statistics/Browse/Economy/QNAS/Publications>

# CHAPTER 1: PUBLIC SECTOR REVENUE

## Total Public Sector Revenue: Scotland 2018-19



# 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>8</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.

2018-19 is the second year of the operation of the new, more extensive Scottish Income Tax powers, where the Scottish Government has the power to set the rates and bands for income tax for Scottish residents.<sup>9</sup> HMRC published a release on these receipts on 18<sup>th</sup> July. These figures are shown in Chapter 4, and show the amount of non-savings non-dividend (NSND) income tax paid on earnings in a given year. The income tax figures in this chapter cover all income tax, and are presented on a slightly different basis consistent with the UK Public Sector Finances, but are consistent with the HMRC figures. Further information is provided in Box 1.1.

On 30 May, HMRC also published the initial results of work between the Scottish Government and HMRC to provide estimates of VAT for Scotland, to be used to assign VAT to the Scottish Government budget. These estimates are used to apportion VAT to Scotland in this edition of GERS. Further information is provided in Box 1.2.

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

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

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<sup>8</sup> <https://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/Methodology>

<sup>9</sup> This power covers only non-savings and non-dividend income tax, and does not allow the Scottish Government to change the personal allowance.

## Estimated Revenue 2018-19

Table 1.1 reports estimated public sector revenue in Scotland and the preliminary outturn data for the UK in 2018-19. The contribution of each element of revenue to the Scottish total, and the proportion of UK revenue raised in Scotland, are also included in the table. Income tax, national insurance contributions, and value added tax account for around two thirds of total non-North Sea revenue. In order to report revenue on a National Accounts basis, an international reporting standard used by governments, a number of accounting adjustments are included in the total revenue estimate. These are primarily symmetric adjustments that also form part of expenditure, and therefore have little impact on the net fiscal balance.

<b>Table 1.1: Revenue: Scotland and UK 2018-19</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	12,814	22.8%	192,259	6.7%
National insurance contributions	10,949	19.5%	137,703	8.0%
Value added tax	11,153	19.9%	132,606	8.4%
Corporation tax (excluding North Sea)	4,067	7.3%	58,365	7.0%
Fuel duties	2,373	4.2%	27,993	8.5%
Non-domestic rates	2,847	5.1%	30,698	9.3%
Council tax	2,360	4.2%	34,477	6.8%
VAT refunds	1,642	2.9%	18,266	9.0%
Capital gains tax	401	0.7%	9,242	4.3%
Inheritance tax	291	0.5%	5,460	5.3%
Reserved stamp duties	305	0.5%	16,696	1.8%
Scottish land & buildings transaction tax	557	1.0%	557	100.0%
Scottish landfill tax	143	0.3%	143	100.0%
Air passenger duty	338	0.6%	3,625	9.3%
Tobacco duties	1,102	2.0%	9,152	12.0%
Alcohol duties	1,179	2.1%	12,128	9.7%
Insurance premium tax	405	0.7%	6,291	6.4%
Vehicle excise duties	530	0.9%	6,767	7.8%
Environmental levies	761	1.4%	6,606	11.5%
Other taxes <sup>1</sup>	1,876	3.3%	21,919	8.6%
<b>Total Non-North Sea taxes</b>	<b>56,090</b>	<b>100%</b>	<b>730,952</b>	<b>7.7%</b>
<b>North Sea taxes<sup>2</sup></b>				
Population share	102		1,237	8.2%
Geographical share	1,430		1,237	115.6%
<b>Other revenue</b>				
Interest and dividends	355		8,549	4.2%
Gross operating surplus	4,406		42,376	10.4%
Other receipts	426		3,380	12.6%
<b>Total revenue</b>				
<b>Excluding North Sea</b>	<b>61,278</b>		<b>785,257</b>	<b>7.8%</b>
<b>Including population share of the North Sea</b>	<b>61,380</b>		<b>786,494</b>	<b>7.8%</b>
<b>Including illustrative geographical share of the North Sea</b>	<b>62,708</b>		<b>786,494</b>	<b>8.0%</b>
<i>of which: revenue accounting adjustments</i>	<i>5,034</i>		<i>55,618</i>	<i>9.1%</i>

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

<sup>2</sup> As the receipts for UK Petroleum Revenue Tax are negative, the Scottish share of North Sea revenue appears unusually high in 2018-19. This is discussed in more detail in Chapter 2.

**Box 1.1: Developments in Scottish income tax data**

2018-19 was the second year of operation of the new, more extensive Scottish Income Tax powers introduced in Scotland Act 2016. These give the Scottish Government the power to vary the tax rates and bands on non-savings and non-dividend (NSND) income tax. This covers around 90% of income tax. Income tax on savings (around 1% of income tax receipts) and dividends (around 9% of receipts) remains reserved to the UK Government.

As the Scottish Government has exercised these new tax powers since 2017-18, the Scottish and rest of UK NSND income tax regimes have started to diverge. Further information on the Scottish rates and bands is available at:

<https://www.gov.scot/policies/taxes/income-tax/>

HMRC remains responsible for the collection of income tax in Scotland. It published a statistical publication on Scottish Income Tax receipts on 18 July 2019,<sup>10</sup> alongside its annual trust statement. Outturn figures for NSND income tax raised in Scotland are now available for 2016-17 and 2017-18. It has also published indicative estimates of 2018-19 income tax from Pay as You Earn (PAYE) employment from its Real Time Information system. PAYE income tax accounts for around 90% of total Scottish Income Tax.

**Use of income tax data in GERS**

The publication of this data represents an important development in the availability of Scottish income tax data. However, for a number of reasons it is not possible to directly use the published HMRC statistics in GERS. This is because, firstly, the HMRC statistics only cover NSND income tax, whereas GERS includes estimates of all income tax raised in Scotland. Secondly, GERS shows income tax receipts, whilst the HMRC statistics publication shows income tax liabilities. Broadly speaking, this means that GERS shows income tax in the year when it is paid, whilst the HMRC publication shows income tax in the year that the income was earned. For PAYE income tax there is little difference between the two, but for self-assessment the difference can be much larger. Finally, HMRC only provides figures for Scottish Income Tax back to 2016-17 whilst GERS provides estimates back to 1998-99.

For this edition of GERS, the latest income tax figures in Chapter 1 of GERS are now based on HMRC's statistics. Broadly speaking, it is assumed that Scotland's share of income tax from savings and dividends is the same as its share from NSND income tax. Further information is provided in the GERS revenue methodology document.<sup>11</sup>

The figures in Chapter 4, which focus on NSND income tax on a liabilities basis, are directly consistent with the published HMRC Scottish Income Tax outturn figures.

The Scottish Government will continue to review this methodology in consultation with users over the coming years.

<sup>10</sup> <https://www.gov.uk/government/statistics/scottish-income-tax-outturn-statistics>

<sup>11</sup> <https://www2.gov.scot/Topics/Statistics/Browse/Economy/GERS/Methodology>



Unlike the expenditure accounting adjustments, which are shown in a separate expenditure line, the revenue accounting adjustments are included within different revenue lines, as is set out in Table A.9 in Annex A. In order to aid transparency, a revenue accounting adjustments line is shown at the bottom of Table 1.1 and 1.4. This is a sub-total of revenue, and is not additional to the revenue totals reported in these tables.

Total public sector non-North Sea revenue in Scotland was estimated to be £61.3 billion in 2018-19, an increase of 5.1%. This is equivalent to 7.8% of UK total non-North Sea current revenue which is 0.4 percentage points lower than Scotland's share of the UK population.<sup>12</sup> In general, Scotland's share of most large revenues is close to either its population or GDP share. However, there are some exceptions to this, discussed below.

Revenues where Scotland's share of UK revenue is relatively low are those associated with property or assets, such as capital gains tax (4.3%), and inheritance tax (5.3%). This reflects the fact that properties and assets in Scotland tend to have lower values than the UK average.<sup>13</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. Scotland also has a relatively low share of interest and dividend revenue. This reflects the fact that the Scottish Government receives proportionally less income from student loans, as the use of such loans is lower in Scotland.

Revenues where Scotland has a relatively large share include non-domestic rates (9.3%), and gross operating surplus (GOS), which includes the surpluses of public corporations. Scotland is estimated to generate approximately 10.4% 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.<sup>14</sup>

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>15</sup> and also the fact that Scotland has higher consumption of spirits than the rest of the UK.<sup>16</sup> Scotland also has a relatively high share of 'other receipts', as for the UK this line nets out refunds of non-domestic rates paid by local authorities. Due to the different structure of reporting non-domestic rates in Scotland, these refunds are not separated out for Scotland.

Table 1.2 below provides a time series of Scotland's share of the largest UK revenues. In general, Scotland's share of UK revenue has been declining over time. In part, this reflects the fact that Scotland's share of the UK population has fallen, but to a degree it also reflects the increasing importance of taxes such as capital gains tax and property taxes in the UK public sector finances, where Scotland has a lower share.

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<sup>12</sup> Scotland's share of the UK population in 2018-19 was 8.2%. Excluding the North Sea, Scotland's share of UK GDP was 7.7% (National Records of Scotland (NRS), Quarterly National Accounts Scotland and UK Economic Accounts).

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

<sup>14</sup> A more detailed discussion of GOS is provided in the detailed revenue methodology paper on the GERS website.

<sup>15</sup> <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/bulletins/adultsmokinghabitsingreatbritain/2018>

<sup>16</sup> <https://www.gov.uk/government/collections/family-food-statistics>

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

	per cent of UK revenue				
	2014-15	2015-16	2016-17	2017-18	2018-19
Income Tax	7.3%	6.9%	6.7%	6.6%	6.7%
Corporation tax (excl North Sea)	7.0%	6.9%	7.0%	7.0%	7.0%
National insurance contributions	8.2%	7.9%	8.0%	8.0%	8.0%
Value added tax	8.5%	8.4%	8.2%	8.3%	8.4%
Council tax and non-domestic rates	8.1%	8.0%	8.0%	8.0%	8.0%
All other revenue	8.6%	8.4%	8.4%	8.5%	8.6%
<b>Total current non-North Sea revenue</b>	<b>8.0%</b>	<b>7.9%</b>	<b>7.7%</b>	<b>7.8%</b>	<b>7.8%</b>

**Box 1.2: Developments in Scottish VAT data**

Following the recommendations of the Smith Commission, Scotland Act 2016 allows for receipts from half of the VAT raised in Scotland to be assigned to the Scottish Government, although the power to set the VAT rates and base will remain reserved to the UK Government. As businesses do not report VAT separately for Scotland, the Scottish and UK Governments have been working together to develop a methodology to estimate VAT for Scotland. The initial results from this work were published on 30 May 2019.<sup>17</sup> This followed the publication of methodology documents in November 2018.<sup>18</sup>

The approach used in the VAT assignment model is very similar to that previously used in GERS. VAT is split between a number of sectors, such as households, business and government, and Scotland's share of these sectors is estimated individually to derive an estimate of overall VAT. The VAT assignment methodology extends the approach previously used in GERS to explicitly consider VAT from tourism, and incorporates adjustments for elements such as the Retail Export Scheme and traders below the VAT schedule.

These new estimates have been incorporated into this edition of GERS. In general, the estimates of VAT from the assignment model are slightly higher than those previously estimated in GERS. This is shown in the table below. HMRC has published results up to and including 2016-17. The latest estimates for years 2017-18 and 2018-19 are Scottish Government estimates based on movements in household spending from the Living Costs and Food Survey since 2016-17.

**Estimates of the Scottish share of UK VAT**

	2014-15	2015-16	2016-17	2017-18	2018-19
GERS 2017-18	8.4%	8.3%	8.1%	8.1%	-
Latest estimate	8.5%	8.4%	8.2%	8.3%	8.4%
Difference	0.1%	0.1%	0.1%	0.2%	-

<sup>17</sup> <https://www.gov.uk/government/statistics/scottish-vat-assignment-experimental-statistics>

<sup>18</sup> <https://www.gov.uk/government/publications/scottish-vat-assignment-summary-of-vat-assignment-model>

## Estimated Revenue: Scotland and the UK, 2014-15 to 2018-19

Table 1.4 overleaf shows estimated current revenue in Scotland and the UK between 2014-15 and 2018-19. Non-North Sea revenue in Scotland is estimated to have grown by 15.5% between 2014-15 and 2018-19 in nominal terms, less than for the UK as a whole (19.2%). The majority of this difference is due to relatively slower growth in income tax in Scotland, which occurred in 2015-16 and 2016-17. However, based on HMRC's indicative PAYE income tax liabilities, income tax in Scotland is estimated to have grown more quickly than the UK as a whole in 2018-19. More generally, slower growth in revenue in Scotland reflects the fact that Scotland's population, and therefore its tax base, has grown more slowly than in the UK as a whole.

The structure of revenue in Scotland is changing with the devolution of additional tax powers. Table 1.4 shows separately land and buildings transaction tax and Scottish landfill tax. These taxes were only introduced in 2015-16. Prior to 2015-16, Scottish revenue from landfill tax is included within the 'other taxes' line, and Scottish revenue from property transaction taxes is included in the 'UK stamp duties' line. From 2015-16 onwards, the 'UK stamp duties' line for Scotland shows estimated receipts from stamp duty on shares and the annual tax on enveloped dwellings.

Table 1.3 shows estimates of revenue per person for Scotland and the UK between 2014-15 and 2018-19. Excluding North Sea revenue, revenue per person in Scotland is lower than in the UK by £552 in 2018-19. Including an illustrative geographical share of North Sea revenue the difference is £307.

Table 1.3: Revenue Per Person: Scotland and UK 2014-15 to 2018-19					
	£ per person				
	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Scotland</b>					
Excluding North Sea revenue	9,906	9,999	10,397	10,745	11,268
Including North Sea revenue (population share)	9,932	9,998	10,398	10,765	11,287
Including North Sea revenue (geographical share)	10,163	10,008	10,446	11,008	11,531
<b>UK</b>					
Excluding North Sea revenue	10,180	10,499	11,058	11,367	11,820
Including North Sea revenue	10,206	10,498	11,059	11,386	11,838
<b>Difference (Scotland minus UK)</b>					
Excluding North Sea revenue	-274	-500	-661	-621	-552
Including North Sea revenue (population share)	-274	-500	-661	-621	-551
Including North Sea revenue (geographical share)	-43	-489	-613	-378	-307

**Box 1.3: 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 2017-18 were published on 28 May 2019. Further information, including details of the ONS methodology, is available at:

<https://www.ons.gov.uk/releases/countryandregionalpublicsectorfinances>

The table below compares the estimates in GERS with those published by ONS. In the previous edition of GERS, the estimates in GERS and the ONS publication were very similar. This reflects the fact that 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. However, this year differences are larger, reflecting the fact that GERS has taken on data relating to Scottish income tax and VAT released after the ONS publication.

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.

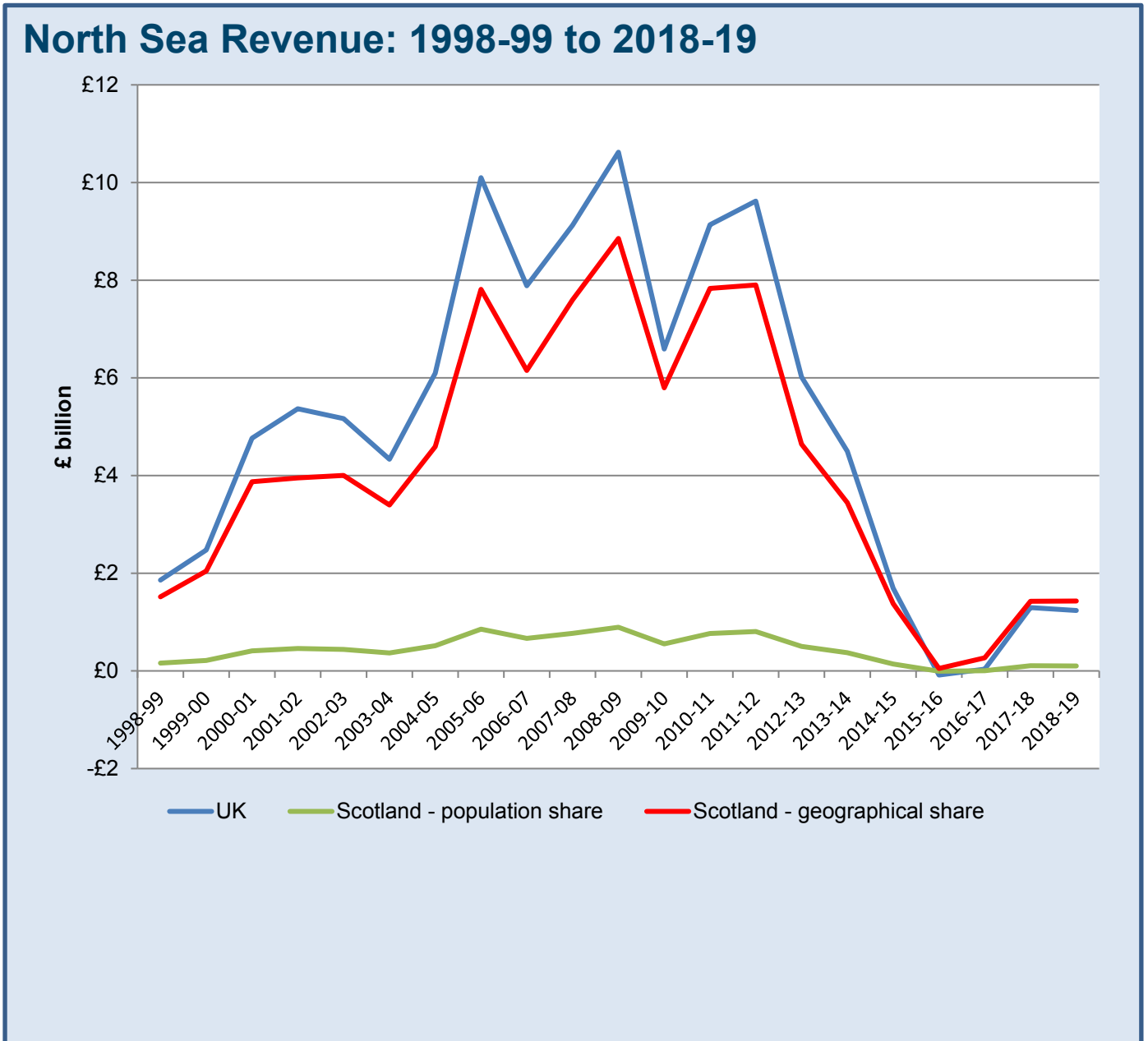
<b>Estimates of Total Scottish Revenues 2014-15 to 2018-19</b>					
	<b>£ million</b>				
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>Non-North Sea taxes</b>					
GERS	47,868	48,627	51,026	53,094	56,090
ONS	47,930	48,819	51,778	53,871	n/a
<b>Difference</b>	<b>-62</b>	<b>-192</b>	<b>-752</b>	<b>-777</b>	<b>n/a</b>
<b>Other non-North Sea receipts</b>					
GERS	5,166	5,178	5,218	5,233	5,226
ONS	5,333	5,335	5,410	5,511	n/a
<b>Difference</b>	<b>-167</b>	<b>-157</b>	<b>-192</b>	<b>-278</b>	<b>n/a</b>
<b>Geographical share of North Sea revenues</b>					
GERS	1,377	50	266	1,426	1,430
ONS	1,373	53	259	1,426	n/a
<b>Difference</b>	<b>4</b>	<b>-3</b>	<b>7</b>	<b>0</b>	<b>n/a</b>

# 1 Public Sector Revenue

**Table 1.4: Revenue: Scotland and UK 2014-15 to 2018-19**

	£ million									
	Scotland					UK				
	2014-15	2015-16	2016-17	2017-18	2018-19	2014-15	2015-16	2016-17	2017-18	2018-19
Income tax	11,865	11,726	11,837	11,964	12,814	163,619	168,874	177,247	180,593	192,259
National insurance contributions	9,070	9,066	10,042	10,460	10,949	110,260	114,061	126,241	131,547	137,703
Value added tax	9,469	9,857	9,936	10,407	11,153	111,244	116,703	121,855	125,538	132,606
Corporation tax (excluding North Sea)	2,956	3,118	3,737	3,883	4,067	42,523	45,183	53,621	55,722	58,365
Fuel duties	2,301	2,331	2,366	2,362	2,373	27,155	27,621	27,937	27,878	27,993
Non-domestic rates	2,511	2,579	2,732	2,762	2,847	27,885	28,607	29,464	30,253	30,698
Council tax	2,011	2,042	2,070	2,257	2,360	28,144	28,986	30,361	32,137	34,477
VAT refunds	1,192	1,254	1,237	1,553	1,642	13,602	14,012	13,735	17,240	18,266
Capital gains tax	347	373	363	338	401	5,559	7,060	8,380	7,793	9,242
Inheritance tax	240	277	288	281	291	3,879	4,712	4,897	5,277	5,460
UK stamp duties	741	280	336	297	305	13,779	14,181	15,657	17,212	16,696
Scottish land & buildings transaction tax	0	425	484	557	557	0	425	484	557	557
Scottish landfill tax	0	147	149	148	143	0	147	149	148	143
Air passenger duty	282	299	301	313	338	3,205	3,040	3,236	3,360	3,625
Tobacco duties	1,125	1,017	1,059	1,049	1,102	9,251	9,106	8,681	8,766	9,152
Alcohol duties	1,001	1,030	1,076	1,122	1,179	10,449	10,697	11,117	11,585	12,128
Insurance premium tax	204	251	312	381	405	2,973	3,717	4,872	5,898	6,291
Vehicle excise duties	463	466	475	503	530	5,910	5,922	5,997	6,378	6,767
Environmental levies	406	507	590	675	761	3,656	4,526	5,172	5,872	6,606
Other taxes	1,683	1,583	1,638	1,781	1,876	18,900	19,498	19,748	21,438	21,919
<b>Total Non-North Sea taxes</b>	<b>47,868</b>	<b>48,627</b>	<b>51,026</b>	<b>53,094</b>	<b>56,090</b>	<b>601,993</b>	<b>627,078</b>	<b>668,851</b>	<b>695,192</b>	<b>730,952</b>
<b>North Sea taxes</b>										
Population share of North Sea revenue	140	-7	3	107	102	1,691	-85	36	1,297	1,237
Illustrative geographical share of North Sea revenue	1,377	50	266	1,426	1,430	1,691	-85	36	1,297	1,237
<b>Other receipts</b>										
Interest and dividends	370	424	371	335	355	6,663	6,978	6,532	7,171	8,549
Gross operating surplus	4,261	4,283	4,377	4,453	4,406	45,650	47,036	47,779	45,843	42,376
Other receipts	535	470	470	445	426	4,578	3,920	3,878	3,570	3,380
<b>Total revenue (excl North Sea revenue)</b>	<b>53,034</b>	<b>53,805</b>	<b>56,245</b>	<b>58,327</b>	<b>61,278</b>	<b>658,884</b>	<b>685,012</b>	<b>727,040</b>	<b>751,776</b>	<b>785,257</b>
<b>Total revenue (incl pop share North Sea revenue)</b>	<b>53,174</b>	<b>53,798</b>	<b>56,248</b>	<b>58,433</b>	<b>61,380</b>	<b>660,575</b>	<b>684,927</b>	<b>727,076</b>	<b>753,073</b>	<b>786,494</b>
<b>Total revenue (incl geog share North Sea revenue)</b>	<b>54,411</b>	<b>53,855</b>	<b>56,511</b>	<b>59,752</b>	<b>62,708</b>	<b>660,575</b>	<b>684,927</b>	<b>727,076</b>	<b>753,073</b>	<b>786,494</b>
<i>Of which, revenue accounting adjustment</i>	3,985	4,142	4,339	4,807	5,034	45,277	47,473	48,404	53,346	55,618

# CHAPTER 2: NORTH SEA REVENUE



# 2

## NORTH SEA REVENUE

### Introduction

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

Table 2.1 shows the revenue raised from each component of North Sea revenue since 2014-15. UK North Sea revenue was £1.7 billion in 2014-15, but declined in 2015-16 and 2016-17 due to changes to the tax regime, lower production, rising expenditure, and lower oil prices. However, UK North Sea revenue increased in 2017-18, and was £1.2 billion in 2018-19.

**Table 2.1: Composition of North Sea Revenue: UK 2014-15 to 2018-19**

	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
Licence fees	70	67	67	72	72
North Sea corporation tax	1,544	410	622	1,793	1,909
Petroleum revenue tax	77	-562	-653	-568	-744
<b>Total</b>	<b>1,691</b>	<b>-85</b>	<b>36</b>	<b>1,297</b>	<b>1,237</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.

During 2018-19, the oil price averaged \$70.1 per barrel. This represents a 22% increase from \$57.4 in the previous year, but is still significantly lower than its level in 2013-14 (\$107.6). Prices in 2018-19 were relatively volatility, with the daily price ranging between \$86.1 and \$50.1.<sup>19</sup>

Overall North Sea production increased in 2018-19, with crude oil and natural gas liquid production increasing by 10.3%,<sup>20</sup> although annual gas production fell 3.6%.<sup>21</sup> The period noted strong production from established fields as well as new production from Clair Ridge, which commenced production in late 2018.

In 2018, total expenditure on the UK Continental Shelf remained broadly stable, falling 1.4% in real terms compared to 2017, to stand at £14.25 billion. The slight fall was primarily due to lower investment, which fell by 12% in real terms, and a decrease in exploration and appraisal expenditure, down 10.6%. In contrast, decommissioning expenditure and operating costs increased by 9% and 6.4% respectively in real terms.<sup>22</sup>

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

<sup>19</sup> <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RBRT&f=M>

<sup>20</sup> <https://www.gov.uk/government/statistics/oil-and-oil-products-section-3-energy-trends>

<sup>21</sup> <https://www.gov.uk/government/statistics/gas-section-4-energy-trends>

<sup>22</sup> [https://www.ogauthority.co.uk/media/5382/oga\\_projections-of-uk-oil-and-gas-production-and-expenditure.pdf](https://www.ogauthority.co.uk/media/5382/oga_projections-of-uk-oil-and-gas-production-and-expenditure.pdf)

As shown in Table 2.1, PRT receipts are now negative. This reflects the fact that, although companies no longer pay PRT, they can still claim refunds on PRT paid in previous years against current trading losses and decommissioning spending. As a result, PRT receipts will only be negative in the future under the current tax regime.

## Scotland's Share of North Sea Revenue

In the ONS Regional Accounts, the UK continental shelf is not allocated to specific geographic regions, but is considered a separate region of the UK (the extra-regio territory). As such, an assumption as to Scotland's share of the North Sea needs to be made in GERS.

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

1. A population share
2. An illustrative geographical share

The discussion below focuses on population and geographical shares.

### Population Share

One interpretation of North Sea revenue is to view it as a non-identifiable UK revenue, in which case a population share may be apportioned to Scotland. Table 2.2 provides an estimate of Scotland's share of North Sea revenue under this approach.

<b>Table 2.2: Population Share of North Sea Revenue: Scotland 2014-15 to 2018-19</b>					
	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
Total North Sea revenue	1,691	-85	36	1,297	1,237
Scotland's population share	140	-7	3	107	102
<b>Scotland's share of North Sea revenue (%)</b>	<b>8.3%</b>	<b>8.2%</b>	<b>8.2%</b>	<b>8.2%</b>	<b>8.2%</b>

### An Illustrative Geographical Share

An alternative approach is to apportion a geographical share of North Sea revenue to Scotland. In order to estimate this share, GERS uses the share reported in the ONS Country and Regional Public Sector Finances publication. The estimate is based on the median line principle as employed in 1999 to determine the boundary between Scotland and the rest of the UK for fishery demarcation purposes. Other alternatives are possible. Production, costs and revenue are allocated on a field by field basis to either the rest of the UK or Scotland using this boundary.

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

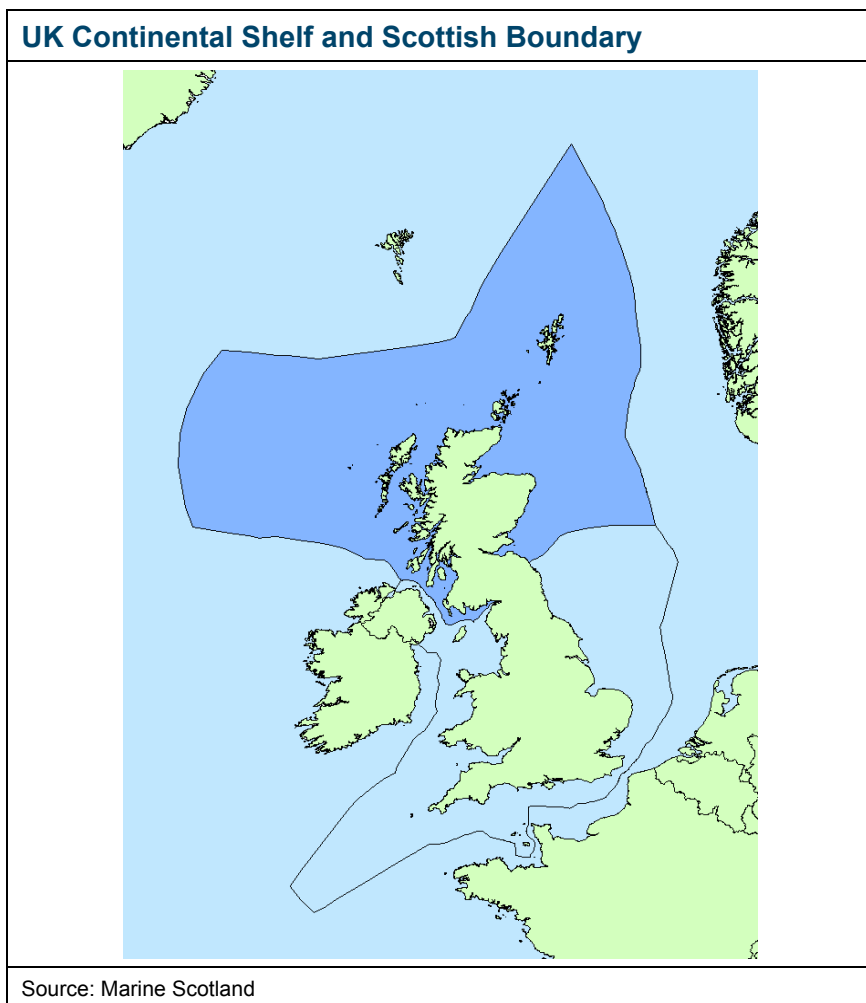


## 2 North Sea Revenue

**Table 2.3: Geographical Share of North Sea Revenue: Scotland 2014-15 to 2018-19**

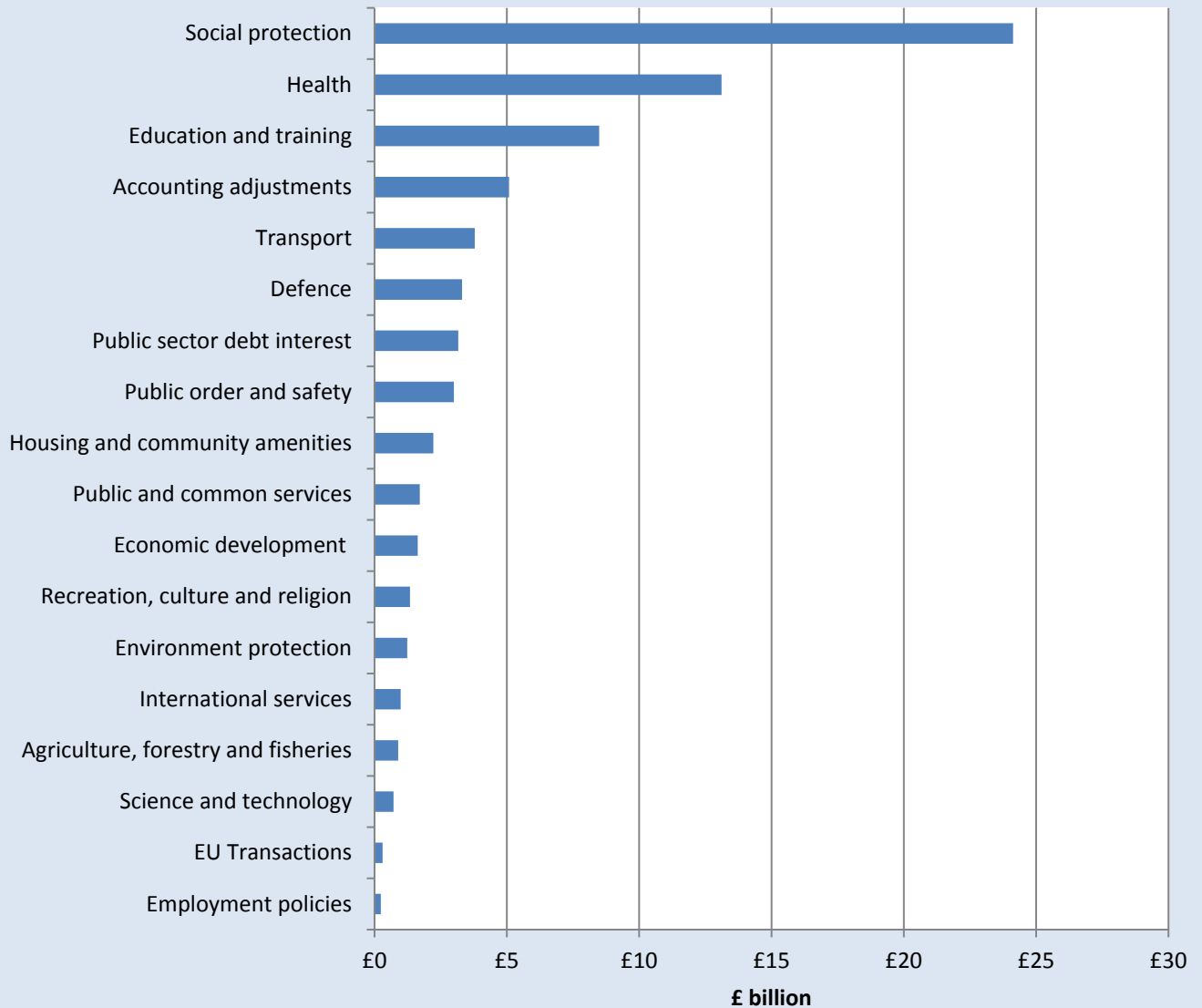
	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
<b>UK revenue</b>	<b>1,691</b>	<b>-85</b>	<b>36</b>	<b>1,297</b>	<b>1,237</b>
Licence fees	70	67	67	72	72
North Sea corporation tax	1,544	410	622	1,793	1,909
Petroleum revenue tax	77	-562	-653	-568	-744
<b>Scottish geographical revenue</b>	<b>1,377</b>	<b>50</b>	<b>266</b>	<b>1,426</b>	<b>1,430</b>
Licence fees	58	55	63	68	68
North Sea corporation tax	1,272	334	595	1,699	1,809
Petroleum revenue tax	47	-338	-392	-341	-447
<b>Scottish share of UK</b>	<b>81.4%</b>	<b>-59.2%</b>	<b>739.7%</b>	<b>109.9%</b>	<b>115.6%</b>
Licence fees	82.2%	81.6%	94.6%	94.8%	94.8%
North Sea corporation tax	82.4%	81.4%	95.7%	94.8%	94.7%
Petroleum revenue tax	61.3%	60.1%	60.1%	60.1%	60.1%

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



# CHAPTER 3: PUBLIC SECTOR EXPENDITURE

## Total Public Sector Expenditure: Scotland 2018-19



# 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>23</sup> and the supporting Country and Regional Analysis (CRA).<sup>24</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 2018-19 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.

<http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/Methodology>.

GERS also includes some transactions between Scotland and the EU. These can be reported in a number of different ways, and are discussed in more detail later in the chapter.

GERS expenditure figures are presented on a National Accounts basis, an international reporting standard used by governments. This requires a number of accounting adjustments to be included in total expenditure. These are primarily symmetric adjustments that also form part of revenue, and therefore have little impact on the net fiscal balance. Further information is set out in Annex A.

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<sup>23</sup> <https://www.gov.uk/government/collections/public-expenditure-statistical-analyses-pesa>

<sup>24</sup> <https://www.gov.uk/government/collections/country-and-regional-analysis>

## Public Sector Expenditure

Total public sector expenditure for Scotland in 2018-19 is estimated to be £75.3 billion, an increase of 2.5% from 2017-18, compared to growth of 1.9% for the UK as a whole. Scotland's public sector expenditure in 2018-19 was equivalent to 9.3% of total UK public sector expenditure. This is shown by spending category in Table 3.1.

<b>Table 3.1: Total Expenditure: Scotland 2018-19</b>		
	<b>Scotland</b>	
	<b>£ million</b>	<b>% of total expenditure</b>
General public services		
Public and common services	1,709	2.3%
International services	989	1.3%
Public sector debt interest	3,162	4.2%
Defence	3,305	4.4%
Public order and safety	2,996	4.0%
Economic affairs		
Enterprise and economic development	1,634	2.2%
Science and technology	715	0.9%
Employment policies	240	0.3%
Agriculture, forestry and fisheries	894	1.2%
Transport	3,788	5.0%
Environment protection	1,234	1.6%
Housing and community amenities	2,221	2.9%
Health	13,111	17.4%
Recreation, culture and religion	1,339	1.8%
Education and training	8,487	11.3%
Social protection	24,126	32.0%
EU transactions	303	0.4%
Accounting adjustments	5,084	6.7%
<b>Total Expenditure</b>	<b>75,338</b>	<b>100%</b>

Table 3.2 below shows growth in current and capital spend in Scotland by organization in 2018-19, compared to the UK. Spending increased faster in Scotland than the UK as a whole in 2018-19, primarily due to higher spending by the Scottish Government and Scottish Local Government.

### 3 Public Sector Expenditure

Table 3.2: Expenditure growth: 2017-18 to 2018-19 (£ million)				
	Scotland			UK growth
	2017-18	2018-19	Growth	
<b>Current expenditure</b>	<b>64,694</b>	<b>66,296</b>	<b>2.5%</b>	<b>2.4%</b>
Scottish Government	24,378	25,855	6.1%	6.1%
Local Government	12,353	12,798	3.6%	0.7%
Public Corporations	-	-	-	-
Other UK Government bodies	27,963	27,643	-1.1%	2.8%
<b>Capital expenditure</b>	<b>8,824</b>	<b>9,042</b>	<b>2.5%</b>	<b>-2.0%</b>
Scottish Government	2,305	2,400	4.2%	4.2%
Local Government	2,239	2,145	-4.2%	2.0%
Public Corporations	1,585	1,572	-0.8%	-35.5%
Other UK Government bodies	2,696	2,925	8.5%	7.2%
<b>Total expenditure</b>	<b>73,518</b>	<b>75,338</b>	<b>2.5%</b>	<b>1.9%</b>
Scottish Government	26,682	28,255	5.9%	5.9%
Local Government	14,592	14,943	2.4%	0.9%
Public Corporations	1,585	1,572	-0.8%	-35.5%
Other UK Government bodies	30,659	30,568	-0.3%	3.1%

Notes:

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

Table 3.3 shows the split of total expenditure between current and capital for Scotland. The capital spending share increased in 2016-17. This reflects both increased local authority capital spending and increased Scottish Government capital spending in part due to the use of new capital borrowing powers. It has remained at this level in 2017-18 and 2018-19.

Table 3.3: Current and Capital Expenditure (% of Total Expenditure): Scotland					
	per cent				
	2014-15	2015-16	2016-17	2017-18	2018-19
Current	89.6%	89.6%	88.1%	88.0%	88.0%
Capital	10.4%	10.4%	11.9%	12.0%	12.0%

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 declined by 1.0 percentage points since 2014-15, compared with a 2.6 percentage point decline for the UK. This divergence in part reflects the higher spending growth in Scotland, but primarily reflects weaker GDP growth. If Scottish GDP had grown in line with UK GDP since 2014-15, spending as a share of GDP excluding the North Sea would have fallen to 44.8% in 2018-19.

<b>Table 3.4: Total Managed Expenditure as a Share of GDP</b>					
	per cent of GDP				
	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Scottish TME as a Share of GDP:</b>					
Excluding North Sea GDP	46.8%	47.0%	46.8%	46.4%	45.8%
Including population share of North Sea GDP	46.3%	46.6%	46.4%	46.0%	45.3%
Including geographical share of North Sea GDP	42.8%	43.5%	43.7%	43.0%	41.7%
<b>UK TME as a share of GDP:</b>					
100% of North Sea GDP	40.5%	39.6%	38.8%	38.4%	37.9%

Table 3.5 shows total public sector expenditure per person for Scotland and the UK. The gap between Scottish and UK spending per person has increased since 2014-15. In part, this will reflect the new Scottish Government capital borrowing powers which began in 2015-16, and the decision by the Scottish Government to use its new devolved tax powers to on average increase the amount of funding available for public services. Slightly less than one percentage point of this difference is due to water and sewerage services being provided by the public sector in Scotland, and therefore included in Scottish expenditure, whilst in England and Wales they are operated by the private sector and therefore excluded from UK expenditure. Tables 3.6 and 3.7 show current, capital, and total expenditure for Scotland and the UK respectively.

<b>Table 3.5: Total Expenditure Per Person</b>					
	£ per person				
	2014-15	2015-16	2016-17	2017-18	2018-19
Scotland	12,776	12,886	13,204	13,544	13,854
UK	11,594	11,599	11,741	12,018	12,193
<i>Difference (Scotland minus UK)</i>	<i>1,182</i>	<i>1,287</i>	<i>1,463</i>	<i>1,526</i>	<i>1,661</i>
<i>Difference between Scottish and UK</i>	<i>10.2%</i>	<i>11.1%</i>	<i>12.5%</i>	<i>12.7%</i>	<i>13.6%</i>

#### Box 3.1 Social protection spending in Scotland

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

The largest spending element within social protection is expenditure on the state pension by the Department for Work and Pensions (DWP). This is followed by DWP's spending on other social security such as disability and incapacity related benefits, income support, jobseekers allowance, and housing benefit. Tax credits and child benefit are part of HMRC spending, which also includes universal credit. Up to 2017-18, 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. In 2018-19, it also includes spending on newly devolved social security, including the Carer's Allowance, Carer's Allowance Supplement, and Best Start Grant.

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>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>Social security spending in Scotland</b>					
State pension	7,324	7,560	7,744	7,919	8,146
Housing benefit	1,776	1,772	1,733	1,671	1,588
Other DWP social security	5,693	5,795	5,834	6,051	6,364
HMRC child benefit and tax credits and universal credit	2,912	2,867	2,755	2,688	2,422
Scottish Government social security	446	426	418	419	666
<b>Social security spending in Scotland</b>	<b>18,152</b>	<b>18,421</b>	<b>18,485</b>	<b>18,748</b>	<b>19,186</b>
Share of benefit spending outside UK and corporate spend	544	586	593	625	376
<b>Other social protection</b>					
Net public sector pensions	974	959	867	811	876
Social care for the elderly	2,296	2,292	2,216	2,325	2,483
Other	929	1,046	929	755	1,206
<b>Total social protection</b>	<b>22,894</b>	<b>23,304</b>	<b>23,089</b>	<b>23,264</b>	<b>24,126</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.

<https://www.gov.uk/government/collections/benefit-expenditure-tables>

### Spending by different parts of the Public Sector

Table 3.8 below provides a breakdown of Scottish expenditure by the Scottish Government, Scottish local government and public corporations, and other UK government bodies.

Table 3.6: Total Expenditure: Scotland 2014-15 to 2018-19

	£ million														
	Current					Capital					Total				
	2014-15	2015-16	2016-17	2017-18	2018-19	2014-15	2015-16	2016-17	2017-18	2018-19	2014-15	2015-16	2016-17	2017-18	2018-19
General public services															
Public and common services	1,274	1,299	1,253	1,296	1,357	232	260	245	348	352	1,506	1,559	1,498	1,644	1,709
International services	692	682	736	766	754	177	164	158	101	235	869	846	894	867	989
Public sector debt interest	3,098	3,136	3,306	3,688	3,162	0	0	0	0	0	3,098	3,136	3,306	3,688	3,162
Defence	2,271	2,294	2,295	2,333	2,416	766	729	762	844	888	3,037	3,023	3,057	3,176	3,305
Public order and safety	2,705	2,746	2,660	2,720	2,852	122	73	78	130	144	2,827	2,818	2,738	2,850	2,996
Economic affairs															
Enterprise and economic development	843	907	892	954	1,120	187	137	343	366	514	1,031	1,044	1,234	1,320	1,634
Science and technology	50	102	146	177	161	370	390	363	398	554	420	492	510	575	715
Employment policies	255	217	214	230	237	3	2	5	9	4	258	219	219	239	240
Agriculture, forestry and fisheries	736	692	816	790	769	190	120	116	122	125	925	812	932	911	894
Transport	1,339	1,650	1,646	1,694	1,767	1,463	1,510	1,762	1,954	2,021	2,802	3,161	3,407	3,648	3,788
Environment protection	940	932	873	891	929	308	312	330	322	304	1,248	1,244	1,203	1,213	1,234
Housing and community amenities	125	160	112	159	206	1,417	1,410	1,476	1,689	2,016	1,542	1,570	1,588	1,848	2,221
Health	11,144	11,585	12,036	12,329	12,617	489	569	626	500	494	11,633	12,154	12,662	12,828	13,111
Recreation, culture and religion	1,369	1,140	1,092	1,080	1,103	190	263	310	270	235	1,560	1,404	1,403	1,350	1,339
Education and training	6,980	7,107	7,301	7,499	7,787	634	732	972	995	700	7,614	7,839	8,273	8,493	8,487
Social protection	22,861	23,236	23,019	23,206	24,051	34	68	71	58	76	22,894	23,304	23,089	23,264	24,126
EU Transactions	290	315	156	207	303	0	0	0	0	0	290	315	156	207	303
Accounting adjustments	4,328	3,941	4,367	4,676	4,704	523	459	896	719	380	4,851	4,400	5,262	5,395	5,084
<b>Total</b>	<b>61,301</b>	<b>62,143</b>	<b>62,919</b>	<b>64,694</b>	<b>66,296</b>	<b>7,102</b>	<b>7,196</b>	<b>8,513</b>	<b>8,824</b>	<b>9,042</b>	<b>68,403</b>	<b>69,339</b>	<b>71,432</b>	<b>73,518</b>	<b>75,338</b>



### 3 Public Sector Expenditure

**Table 3.7: Total Expenditure: UK 2014-15 to 2018-19**

	£ million														
	Current					Capital					Total				
	2014-15	2015-16	2016-17	2017-18	2018-19	2014-15	2015-16	2016-17	2017-18	2018-19	2014-15	2015-16	2016-17	2017-18	2018-19
General public services															
Public and common services	9,684	9,838	9,697	10,112	10,120	1,827	1,433	2,827	2,381	3,073	11,511	11,271	12,524	12,493	13,192
International services	8,362	8,267	8,945	9,316	9,162	2,133	1,984	1,918	1,227	2,866	10,495	10,251	10,863	10,543	12,028
Public sector debt interest	37,418	38,006	40,154	44,900	38,498	0	0	0	0	0	37,418	38,006	40,154	44,900	38,498
Defence	27,448	27,796	27,881	28,399	29,425	9,249	8,831	9,250	10,271	10,816	36,697	36,627	37,131	38,670	40,241
Public order and safety	29,235	28,928	28,954	29,437	30,446	1,252	1,279	1,116	2,030	1,931	30,487	30,207	30,070	31,467	32,377
Economic affairs															
Enterprise and economic development	5,720	6,733	6,589	7,306	9,462	862	733	1,678	2,688	3,180	6,582	7,466	8,267	9,994	12,642
Science and technology	496	875	978	1,098	1,011	3,900	3,868	3,510	3,920	5,421	4,396	4,743	4,488	5,018	6,432
Employment policies	2,825	2,379	2,347	2,512	2,632	32	22	60	105	47	2,857	2,401	2,407	2,617	2,679
Agriculture, forestry and fisheries	4,692	4,090	4,769	4,774	5,285	514	385	436	405	460	5,206	4,475	5,205	5,179	5,745
Transport	6,618	9,765	9,868	9,996	11,847	15,363	18,144	18,952	20,365	20,777	21,981	27,909	28,820	30,361	32,623
Environment protection	7,839	7,937	7,264	7,260	7,482	3,750	3,673	3,780	4,527	3,696	11,589	11,610	11,044	11,787	11,179
Housing and community amenities	3,062	2,988	2,943	2,979	3,099	7,207	6,847	7,359	8,377	9,359	10,269	9,835	10,302	11,356	12,457
Health	127,651	132,663	136,978	141,033	146,127	6,402	5,836	5,611	6,304	6,815	134,053	138,499	142,589	147,337	152,942
Recreation, culture and religion	10,428	9,326	9,382	9,307	9,113	2,023	2,041	2,224	2,173	2,052	12,451	11,367	11,606	11,480	11,165
Education and training	75,604	75,595	77,319	77,089	80,499	9,450	9,319	7,586	8,967	8,926	85,054	84,914	84,905	86,056	89,424
Social protection	261,230	264,585	264,976	268,245	274,112	-112	317	451	483	621	261,118	264,902	265,427	268,728	274,734
EU transactions	6,225	7,671	4,723	5,364	7,874	0	0	0	0	0	6,225	7,671	4,723	5,364	7,874
Accounting adjustments	50,280	45,173	48,943	52,030	51,818	11,776	9,440	12,486	9,489	1,977	62,055	54,613	61,430	61,519	53,795
<b>Total</b>	<b>674,817</b>	<b>682,615</b>	<b>692,710</b>	<b>711,157</b>	<b>728,011</b>	<b>75,628</b>	<b>74,152</b>	<b>79,244</b>	<b>83,712</b>	<b>82,016</b>	<b>750,445</b>	<b>756,767</b>	<b>771,954</b>	<b>794,869</b>	<b>810,027</b>

**Table 3.8: Total Expenditure: Scottish Government, Local Authorities, Public Corporations, and Other UK Government: Scotland 2014-15 to 2018-19**

	£ million														
	Scottish Government, LAs and Public Corporations					Other UK Government					Total				
	2014-15	2015-16	2016-17	2017-18	2018-19	2014-15	2015-16	2016-17	2017-18	2018-19	2014-15	2015-16	2016-17	2017-18	2018-19
General public services															
Public and common services	1,014	1,048	1,002	1,088	1,161	492	511	497	556	547	1,506	1,559	1,498	1,644	1,709
International services	0	0	0	1	1	869	846	894	866	988	869	846	894	867	989
Public sector debt interest	0	0	0	0	0	3,098	3,136	3,306	3,688	3,162	3,098	3,136	3,306	3,688	3,162
Defence	3	4	4	3	3	3,034	3,019	3,053	3,173	3,302	3,037	3,023	3,057	3,176	3,305
Public order and safety	2,567	2,592	2,515	2,626	2,756	260	226	223	224	240	2,827	2,818	2,738	2,850	2,996
Economic affairs															
Enterprise and econ development	743	632	831	851	1,019	287	412	403	469	616	1,031	1,044	1,234	1,320	1,634
Science and technology	5	2	3	3	2	416	490	507	572	713	420	492	510	575	715
Employment policies	0	0	0	0	0	258	219	219	239	240	258	219	219	239	240
Agriculture, forestry and fisheries	915	804	922	901	882	11	8	11	11	12	925	812	932	911	894
Transport	2,631	2,359	2,397	2,518	2,485	170	802	1,010	1,130	1,304	2,802	3,161	3,407	3,648	3,788
Environment protection	950	949	938	925	977	298	295	265	288	257	1,248	1,244	1,203	1,213	1,234
Housing and community amenities	1,542	1,570	1,588	1,848	2,221	0	0	0	0	0	1,542	1,570	1,588	1,848	2,221
Health	11,483	12,002	12,508	12,660	13,002	149	152	155	168	109	11,633	12,154	12,662	12,828	13,111
Recreation, culture and religion	1,142	997	971	914	945	417	407	431	437	394	1,560	1,404	1,403	1,350	1,339
Education and training	7,587	7,814	8,247	8,467	8,459	27	25	26	27	28	7,614	7,839	8,273	8,493	8,487
Social protection	5,662	5,734	5,420	5,295	6,105	17,232	17,570	17,669	17,969	18,022	22,894	23,304	23,089	23,264	24,126
EU transactions	0	0	0	0	0	290	315	156	207	303	290	315	156	207	303
Accounting adjustments	4,142	3,870	4,321	4,696	4,699	709	530	941	699	384	4,851	4,400	5,262	5,395	5,084
<b>Total</b>	<b>40,386</b>	<b>40,377</b>	<b>41,666</b>	<b>42,795</b>	<b>44,717</b>	<b>28,017</b>	<b>28,962</b>	<b>29,766</b>	<b>30,723</b>	<b>30,621</b>	<b>68,403</b>	<b>69,339</b>	<b>71,432</b>	<b>73,518</b>	<b>75,338</b>

## Scotland's Notional Contributions to the European Union Budget

As a member of the European Union (EU) the UK contributes to the EU budget and receives funding from the EU via a number of programmes.

Scotland does not contribute directly to the EU budget. In GERS, Scotland is assigned a share of the UK contribution. In contrast, Scotland receives funding directly from the EU, through the Common Agricultural Policy, European Structural Funds, and European Regional Development Funding. Actual amounts are used for these items.

The EU Transactions lines in the tables above are produced on a National Accounts basis, and exclude traditional own resource payments. These are payments collected by the UK on behalf of the EU, and therefore are excluded from the UK Public Sector Finances. However, they are normally included when reporting on the UK's net contribution to EU budgets. Table 3.9 shows net payments to the EU including these contributions.

Although contributions to the EU are made by the public sector, funding from the EU is received by both public and non-public sector bodies. The EU Transactions line in the GERS tables report only on transactions with the EU by the public sector. EU payments to Higher Education Institutions, which are not part of the public sector, are discussed in Box 3.2.

### Funding the EU Budget

There are three key sources of funding for the EU, which come from each member state:<sup>25</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.

Since 1985, the UK has received a rebate on its contribution, broadly equal to 66% of its net contribution in the previous year. Scotland is apportioned a population share of the rebate.

### Net Contribution to the EU

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

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

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<sup>25</sup> Further detail is available from HM Treasury's European Union Finances 2018 publication: <https://www.gov.uk/government/statistics/european-union-finances-2018>

**Table 3.9: Transactions with the institutions of the EU, 2014-15 to 2018-19 (£ million)**

	Scotland					UK				
	2014-15	2015-16	2016-17	2017-18	2018-19	2014-15	2015-16	2016-17	2017-18	2018-19
GNI based contribution	1,164	1,039	927	945	1,174	14,154	12,570	11,440	11,761	14,606
UK abatement	-398	-336	-392	-374	-397	-4,811	-4,068	-4,757	-4,547	-4,846
VAT-based contribution to the EU	192	227	204	244	266	2,316	2,751	2,477	2,974	3,138
<b>Expenditure transfers to the EU</b>	<b>957</b>	<b>930</b>	<b>739</b>	<b>816</b>	<b>1,043</b>	<b>11,253</b>	<b>9,160</b>	<b>10,188</b>	<b>12,899</b>	<b>12,899</b>
Receipts to cover collection costs of TOR	-61	-64	-29	-57	-54	-743	-771	-357	-698	-664
TOR	249	254	277	280	270	3,006	3,085	3,366	3,413	3,304
<b>Gross contribution to the EU budget</b>	<b>1,144</b>	<b>1,121</b>	<b>987</b>	<b>1,039</b>	<b>1,259</b>	<b>13,921</b>	<b>13,567</b>	<b>12,169</b>	<b>12,903</b>	<b>15,538</b>
Public sector EU receipts	-606	-551	-554	-552	-686	-4,690	-2,811	-4,081	-4,130	-4,360
<b>Net contributions to the EU budget</b>	<b>538</b>	<b>570</b>	<b>433</b>	<b>487</b>	<b>573</b>	<b>9,231</b>	<b>10,756</b>	<b>8,088</b>	<b>8,773</b>	<b>11,178</b>
<i>EU transactions (net contributions to EU institutions less TOR)</i>	290	315	156	207	303	6,225	7,671	4,722	5,360	7,874

#### Box 3.2: EU Payments to Higher Education Institutions

The figures above covered the transactions that the Scottish and UK public sector have with the EU. However, the EU also makes payments to bodies outside the public sector, such as Higher Education Institutions (HEIs), which are considered private sector not-for-profit institutions. The Higher Education Statistics Agency produces statistics on these payments. These payments are not included in the tables shown above as they are not transactions with the public sector and are therefore out of the scope of public sector finances.

Payments to HEIs from the EU include:

- Payments from EU government bodies
- Payments from EU-based charities through an open competitive process
- Payments from EU industry, commerce and public corporations
- Payments from other EU bodies

To illustrate the size of these payments, the table below shows research grants and contracts income from the EU to HEIs for Scotland and the UK for academic years 2013-14 to 2017-18, which is the latest year for which figures are available. This spending is outside the public sector, and therefore has no impact on the figures reported in GERS.

#### EU Payments to Higher Education Institutions, Academic Year 2013-14 to 2017-18

	£ million				
	2013-14	2014-15	2015-16	2016-17	2017-18
Scotland	88.8	94.1	97.4	104.8	116.3
UK	789.2	836.1	840.6	877.2	924.4

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

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

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

<http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/RelatedAreas>

#### Introduction to PFI, PPPs, and NPD

Public Private Partnerships (PPPs) are long-term contracts for services that include the provision of associated facilities or properties. Under the contract, the private sector is generally responsible for various roles, including designing and constructing a building or facility, and maintaining and servicing it throughout the contract term. The public sector retains accountability for the main public services. The private sector is responsible for financing the project up front and only receives payment from the public sector once construction has been completed and the services have commenced.

The Private Finance Initiative (PFI) used to be the UK's preferred form of PPP. In Scotland, the Non-Profit Distributing (NPD) model has been the Scottish Government's preferred procurement option since 2007. For more information on these schemes, and the data sources used in this box, please see the Scottish Government website:

<http://www.gov.scot/Topics/Government/Finance/18232/12308>

#### Unitary Charge Payments

Payments for both PFI and NPD projects take the form of a unitary charge which is usually paid annually over the lifetime of the contract. It is worth emphasising that these payments are already fully reflected in the GERS spending figures. In addition, the table below includes Ministry of Defence projects in Scotland which are procured by and entirely funded by the Ministry of Defence. Scotland is assigned a population share of this expenditure in GERS. Unitary charge payments cover repayment of capital, interest payments, and in some cases service charge payments. Figures are shown here for the years 2014-15 to 2018-19 to be consistent with other tables in this report. The underlying spreadsheets on the GERS website have data covering the period back to 1998-99 as well as estimated payments into the 2040s. Additional information about the individual procuring authority (e.g. individual local authority and health board information) and comparisons with the UK are also provided.

### 3 Public Sector Expenditure

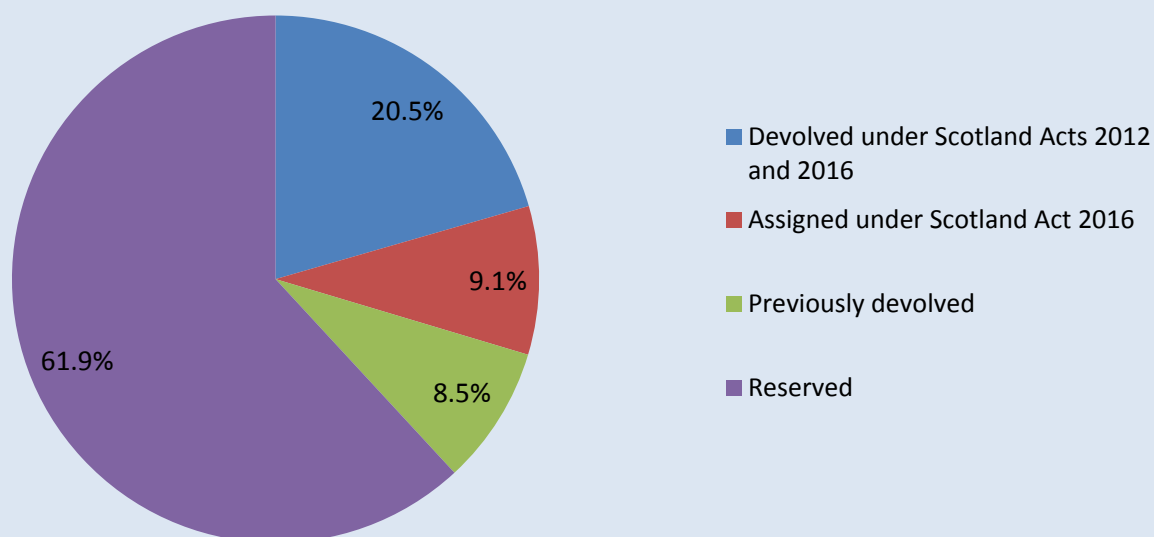
<b>Scotland: Unitary charge payments, 2014-15 to 2018-19</b>					
	<b>£ million</b>				
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>By scheme type</b>					
Private Finance Initiative	979	995	998	1,013	1,027
Non-Profit Distributing models <sup>1</sup>	59	72	107	189	271
<b>Total Unitary Charge payments</b>	<b>1,038</b>	<b>1,067</b>	<b>1,106</b>	<b>1,202</b>	<b>1,298</b>
<b>By procuring authority</b>					
Further Education	2	9	27	35	35
Local Government	497	507	514	548	586
NHS	242	247	258	273	303
Other Scottish Government	127	136	133	169	194
Ministry of Defence	24	21	25	26	26
Scottish Water	146	146	148	151	155
<b>Total Unitary Charge payments</b>	<b>1,038</b>	<b>1,067</b>	<b>1,106</b>	<b>1,202</b>	<b>1,298</b>
<b>By sector of project</b>					
Energy	5	5	5	5	-
Further Education	2	9	27	35	35
Health	242	247	258	273	303
IT	-	-	-	-	-
Ministry of Defence	24	21	25	26	26
Offices	3	3	3	3	3
Police	4	4	4	4	5
Prisons	49	49	47	47	48
Schools	454	462	469	502	546
Transport	93	104	102	138	161
Waste	162	163	165	169	172
<b>Total Unitary Charge payments</b>	<b>1,038</b>	<b>1,067</b>	<b>1,106</b>	<b>1,202</b>	<b>1,298</b>
<i>UK Total Unitary Charge Payments</i>	<i>10,257</i>	<i>10,502</i>	<i>10,471</i>	<i>10,715</i>	<i>10,099</i>
<i>Scotland as % UK</i>	<i>10.1%</i>	<i>10.2%</i>	<i>10.6%</i>	<i>11.2%</i>	<i>12.9%</i>

<sup>1</sup> Non-profit distributing models includes projects delivered by the hub model and projects commissioned prior to 2010. Further detail is available at: <http://www.gov.scot/Topics/Government/Finance/18232/12308>

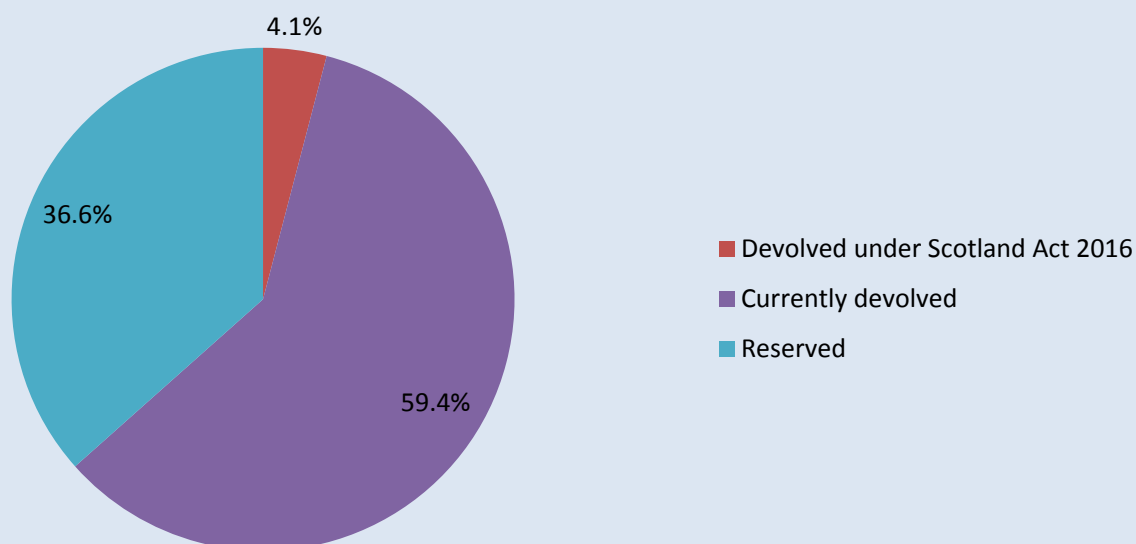
Source: HM Treasury and Scottish Government figures. See the accompanying spreadsheet for full details of all sources

# CHAPTER 4: DEVOLVED REVENUE & EXPENDITURE

## Devolved and Reserved Revenue in Scotland 2018-19



## Devolved and Reserved Expenditure in Scotland 2018-19





# 4

## DEVOLVED REVENUE AND EXPENDITURE

### Introduction

Following the implementation of Scotland Act 2012 and Scotland Act 2016, the powers of the Scottish Parliament over taxation and expenditure in Scotland are changing. This chapter sets out the amount of public sector revenue and expenditure currently devolved and how this is changing with the implementation of the Scotland Act 2016.

### Devolved Revenue

The table below sets out revenue raised in Scotland from taxes currently devolved to the Scottish Parliament. Total devolved tax revenue in 2018-19 was estimated to reach £17,392 million.

Since 2017-18, power over non-saving non-dividend income tax has been devolved to the Scottish Parliament. HMRC has put in place new infrastructure to identify Scottish income tax payers and tax revenue since 2016-17, and this provides an important new statistical source in GERS. However, it also creates a discontinuity in the income tax series in Table 4.1 as comparable data are not available for earlier years. As a result, the income tax estimates for 2014-15 to 2015-16 in the shaded cells are not comparable to the estimates for later years. Similarly, there is a discontinuity in the estimates of Scottish landfill tax and land and building transaction tax following the creation of Revenue Scotland, which is now responsible for collecting these taxes.

	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
Council tax	2,011	2,042	2,070	2,257	2,360
Non-domestic rates	2,511	2,579	2,732	2,762	2,847
Land and buildings transaction tax <sup>1</sup> (devolved from 2015-16)	488	425	484	557	557
Scottish landfill tax (devolved from 2015-16) <sup>2</sup>	149	147	149	148	143
Non-savings and non-dividend income tax liabilities (devolved from 2016-17) <sup>3</sup>	10,887	10,948	10,719	10,916	11,486
<b>Total devolved taxes</b>	<b>16,046</b>	<b>16,141</b>	<b>16,153</b>	<b>16,640</b>	<b>17,392</b>

<sup>1</sup> Figures for 2015-16 onwards are from Revenue Scotland. Previous years are based on HMRC estimates

<sup>2</sup> Figures for 2015-16 onwards are from Revenue Scotland. Previous years are based on ONS estimates

<sup>3</sup> This table shows Scottish Rate of Income Tax liabilities rather than receipts. They are therefore calculated on a different basis to the estimates of total Scottish income tax receipts in Table 1.1. Figures for 2015-16 and earlier are based on the Survey of Personal Incomes. Figures for 2016-17 and 2017-18 are from HMRC accounts, and the figure for 2018-19 is the SFC forecast from May 2019.

Note: Shaded cells represent estimates for years when tax devolution has not occurred. These are not directly comparable to outturn data in other cells.

Further devolution of taxes is due to continue in the next few years, following the Scotland Act 2016. As these taxes are not yet devolved, the table below shows the estimated historical revenues from these taxes.

**Table 4.2: Revenue to be devolved under Scotland Act 2016**

	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
Air passenger duty (date of devolution to be decided)	282	299	301	313	338
Aggregates levy (date of devolution to be decided)	55	53	63	57	57

As well as devolving tax powers to the Scottish Government, the Scotland Act 2016 allows for the first 10p of the standard rate of VAT receipts and the first 2.5p of the reduced rate of VAT receipts in Scotland to be assigned to the Scottish Government. The transition period for VAT assignment began on 1 April 2019.

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

**Table 4.3: VAT Assignment: Scotland 2014-15 to 2018-19**

	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
VAT assignment (from 2019-20)	4,735	4,929	4,968	5,204	5,577

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

Further information on the planned devolution of taxes to the Scottish Government is available in the fiscal framework agreement between the Scottish and UK Governments.<sup>26</sup> The net impact on Scottish Government funding will depend in part on how the block grant received by the Scottish Government is adjusted to reflect the devolution of new revenue streams. This adjustment will be based in part on the relative growth in tax per head for each devolved tax in Scotland and the rest of the UK. Table 4.4 below shows tax per head for Scotland and the rest of the UK for each of the relevant taxes.

<sup>26</sup> Under the Fiscal Framework Agreement, the block grant adjustment will effectively be determined by the indexed per capita method until March 2022. Under this approach, the block grant adjustment will increase in line with the percentage growth in tax receipts per head in the UK, multiplied by Scottish population growth. The net impact on the Scottish Government budget will therefore depend on the relative growth in tax per head for each devolved tax in Scotland and the rest of the UK. The agreement is available at the link below.

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

## 4 Devolved Revenue and Expenditure

**Table 4.4: Devolved revenue per head: Scotland and rest of UK**

	£ per person									
	Scotland					Rest of UK				
	2014-15	2015-16	2016-17	2017-18	2018-19	2014-15	2015-16	2016-17	2017-18	2018-19
Income tax	2,033	2,035	1,981	2,007	2,112	2,375	2,422	2,481	2,540	2,690
VAT	884	916	918	959	1,025	857	892	927	948	996
APD	53	56	56	58	62	49	46	49	50	54
LBTT	92	80	91	104	103	175	181	198	215	198
Landfill tax	28	27	28	27	26	16	15	14	12	11
AL	10	10	12	11	11	5	5	6	5	5

Notes: Income tax refers to non-savings non-dividend income tax liabilities

Shaded cells represent estimates for years when tax devolution has not occurred. These are not directly comparable to figures in other cells.

Income tax figures for 2018-19 for Scotland and the rest of the UK, are based on official forecasts from the Scottish Fiscal Commission and Office for Budget Responsibility respectively.

APD: air passenger duty

LBTT: Land and Buildings Transaction Tax for Scotland, compared to LBTT and stamp duties on property for the UK

AL: aggregates levy

## Devolved Social Security

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

	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
Council tax reduction	360	344	332	327	336
Scottish welfare fund	36	33	35	33	33
Discretionary housing payments	51	49	52	59	62
<b>Total</b>	<b>446</b>	<b>426</b>	<b>418</b>	<b>419</b>	<b>431</b>

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

	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
Disability living allowance	1,467	1,400	1,219	999	893
Attendance allowance	485	487	487	492	506
Carer's allowance <sup>1</sup>	203	222	234	249	266
Winter fuel payment	184	181	178	176	173
Personal independence payment	163	318	552	930	1,138
Industrial injuries disablement benefit	89	87	84	82	82
Severe disablement allowance	77	51	22	12	10
Cold weather payment	7	3	1	22	10
Funeral payment	6	5	5	5	5
Sure Start maternity grant <sup>2</sup>	3	3	3	2	2
<b>Total expenditure on social security to be devolved</b>	<b>2,684</b>	<b>2,757</b>	<b>2,785</b>	<b>2,969</b>	<b>3,084</b>

Notes: <sup>1</sup> Carer's Allowance was devolved to the Scottish Government on 3 September 2018. The 2018-19 figure shows total spending in the year as a whole, of which £152 million was spent by the Scottish Government and £101 million by the Department for Work and Pensions.

<sup>2</sup> Sure Start maternity grant was replaced in Scotland by the Scottish Government's Best Start Grant on 10 December 2018. Spending on Best Start Grant is not included.

The fiscal framework agreement discussed above also covers the devolution of social security expenditure to the Scottish Government. The Scotland Act 2016 sets out that the final impact on the Scottish Government budget of devolution of these benefits will be determined through an adjustment to the Scottish block grant. For the Sure Start maternity grant and Funeral payments, a one-off adjustment will be made to the Scottish Government budget when they are devolved. For the other benefits, the adjustment made to the Scottish Government's budget to reflect this additional spending responsibility will depend in part on the relative growth in expenditure per head for each newly devolved benefit in Scotland and the rest of GB.

Table 4.7 below shows expenditure per head for each of the relevant benefits for Scotland and the rest of Great Britain. For the majority of social security, expenditure per head is higher in Scotland than the rest of Great Britain, although overall the rate of growth in expenditure per head has been similar between Scotland and the rest of Great Britain since 2014-15 for each individual benefit.

<b>Table 4.7: Devolved social security expenditure per head: Scotland and rest of GB</b>										
	<b>£ per person</b>									
	<b>Scotland</b>					<b>Rest of GB</b>				
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Disability living allowance	274	260	225	184	164	214	204	176	142	122
Attendance allowance	91	91	90	91	93	86	86	85	86	87
Carer's allowance	38	41	43	46	49	37	40	42	44	49
Winter fuel payment	34	34	33	32	32	34	33	32	31	31
Personal independence payments	30	59	102	171	209	3	46	79	131	160
Industrial Injuries disability benefit	17	16	16	15	15	14	14	13	13	13
Severe disablement allowance	14	9	4	2	2	11	7	4	2	1
Cold weather payment	1	1	0	4	2	3	3	3	3	2

### 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.

	<b>Before Scotland Acts 2012 and 2016</b>	<b>After Scotland Acts 2012 and 2016</b>
Non-saving non-dividend income tax liabilities (devolved from 2016-17)	-	11,486
Council tax	2,360	2,360
Non-domestic rates	2,847	2,847
Land and buildings transaction tax (devolved from 2015-16)	-	557
Scottish landfill tax (devolved from 2015-16)	-	143
Air passenger duty (date to be decided)	-	338
Aggregates levy (date to be decided)	-	57
<b>Total devolved taxes</b>	<b>5,207</b>	<b>17,787</b>
<b>Devolved taxes as % of non-North Sea Scottish revenue</b>	<b>8%</b>	<b>29%</b>
<b>as % of revenue incl geographical share of North Sea revenue<sup>1</sup></b>	<b>8%</b>	<b>28%</b>
Assigned VAT (in transition from 2019-20)	-	5,577
<b>Total devolved and assigned taxes</b>	<b>5,207</b>	<b>23,364</b>
<b>Devolved and assigned taxes as % of non-North Sea Scottish revenue</b>	<b>8%</b>	<b>38%</b>
<b>as % of taxes incl geographical share of North Sea revenue<sup>1</sup></b>	<b>8%</b>	<b>37%</b>
Devolved expenditure including housing benefit <sup>2</sup> (HB)	44,717	47,801
<b>Devolved taxes as % of estimated devolved expenditure</b>	<b>12%</b>	<b>37%</b>
<b>Devolved and Assigned taxes as % of estimated devolved expenditure</b>	<b>12%</b>	<b>49%</b>

<sup>1</sup> Figures for the shares of devolved taxes as a share of total taxes including a population share of North Sea revenue are the same as the share when excluding North Sea taxes.

<sup>2</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

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>					
	2014-15	2015-16	2016-17	2017-18	2018-19
Scotland	5,354	5,381	5,410	5,428	5,438
UK	64,725	65,245	65,746	66,139	66,436
<b>As % of UK total</b>	<b>8.3%</b>	<b>8.2%</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 2018-19 population is estimated as three-quarters of the 2018 population plus one quarter of the 2019 population.

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

<b>Table A.2: Current and Capital Budgets: Scotland</b>					
	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Current Budget</b>					
Current revenue					
Excluding North Sea revenue	53,034	53,805	56,245	58,327	61,278
Including North Sea revenue (population share)	53,174	53,798	56,248	58,433	61,380
Including North Sea revenue (geographical share)	54,411	53,855	56,511	59,752	62,708
Current expenditure	61,301	62,143	62,919	64,694	66,296
Capital consumption	4,388	4,338	4,356	4,376	4,359
<b>Balance on current budget (surplus is positive, deficit is negative)</b>					
Excluding North Sea revenue	-12,655	-12,677	-11,030	-10,744	-9,376
Including North Sea revenue (population share)	-12,515	-12,684	-11,027	-10,638	-9,275
Including North Sea revenue (geographical share)	-11,278	-12,627	-10,764	-9,318	-7,947
<b>Capital Budget</b>					
Capital expenditure	7,102	7,196	8,513	8,824	9,042
Capital consumption	-4,388	-4,338	-4,356	-4,376	-4,359
<b>Net Investment</b>	<b>2,714</b>	<b>2,858</b>	<b>4,157</b>	<b>4,448</b>	<b>4,683</b>
<b>Net Fiscal Balance (surplus is positive, deficit is negative)</b>					
Excluding North Sea revenue	-15,369	-15,535	-15,187	-15,192	-14,060
Including North Sea revenue (population share)	-15,229	-15,542	-15,184	-15,085	-13,958
Including North Sea revenue (geographical share)	-13,992	-15,484	-14,921	-13,766	-12,630

## 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>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>Scottish GDP</b>					
Excluding North Sea and share of UK extra-regio	146,222	147,446	152,702	158,282	164,639
Including North Sea (population share)	147,742	148,806	153,898	159,688	166,418
Including North Sea (geographical share)	159,963	159,432	163,281	170,866	180,829
<b>UK GDP</b>	<b>1,855,049</b>	<b>1,912,472</b>	<b>1,989,398</b>	<b>2,067,387</b>	<b>2,135,752</b>

Source: Quarterly National Accounts Scotland, <https://www.gov.scot/Topics/Statistics/Browse/Economy/QNAS>; 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>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Net Fiscal Balance</b>					
Excluding North Sea revenue	-16,069	-15,874	-15,788	-15,167	-14,829
Including North Sea revenue (per capita share)	-15,846	-15,870	-15,818	-15,069	-14,730
Including North Sea revenue (geographical share)	-13,966	-15,718	-15,875	-13,807	-13,413
<b>UK</b>	<b>-98,577</b>	<b>-79,556</b>	<b>-56,967</b>	<b>-37,568</b>	<b>-32,217</b>
			<b>As % of GDP</b>		
Excluding North Sea revenue	-11.0%	-10.8%	-10.4%	-9.7%	-9.1%
Including North Sea revenue (per capita share)	-10.7%	-10.7%	-10.4%	-9.5%	-8.9%
Including North Sea revenue (geographical share)	-8.7%	-9.9%	-9.8%	-8.2%	-7.5%
<b>UK</b>	<b>-5.3%</b>	<b>-4.2%</b>	<b>-2.9%</b>	<b>-1.8%</b>	<b>-1.5%</b>

## 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	10,949	10,763	11,135	+/-186	+/-1.7%
VAT <sup>1</sup>	11,153	10,908	11,399	+/-245	+/-2.2%
Tobacco duties	1,102	1,083	1,121	+/-19	+/-1.7%
Alcohol duties	1,179	1,084	1,273	+/-94	+/-8%
Betting and gaming duties	223	220	226	+/-3	+/-1.4%
Insurance premium tax	405	397	413	+/-8	+/-2%
<b>Total survey based apportionments</b>	<b>25,011</b>	<b>24,455</b>	<b>25,567</b>	<b>+/-556</b>	<b>+/-2.2%</b>

<sup>1</sup> The estimate of VAT uncertainty is a Scottish Government estimate, based on the Living Costs and Food Survey. It is not a measure of the uncertainty associated with the VAT assignment model. Estimates of this are due to be published later in 2019.

## 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 2018 included a detailed line by line description of the methodology used to apportion spending. While many anomalies in previous editions of the CRA have been addressed and are now reflected in both CRA 2018 and this GERS report, a small number of supplementary amendments to the CRA 2018 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 <http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/Methodology>.

As the CRA for 2018-19 is not yet published, there are no formal amendments to individual spending lines in 2018-19. The 2017-18 adjustments are in effect carried forward into 2018-19, adjusted for the spending of the responsible department. Further detail is provided in the expenditure methodology note.

Previous editions of GERS have included amendments to the estimates of local government spending those published in PESA. No adjustments are required in this year's publication.

**Table A.6: Amendments to Estimates of Total Public Sector Expenditure on Services from CRA 2017**

	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Amendments from the CRA</b>					
Nuclear-related expenditure	-54	-50	-59	-57	-
London Olympics	-17	0	0	0	-
Pensions revisions	-19	-19	-19	-20	-
Other minor revisions	-49	-33	-68	-67	-
<b>Amendments from PESA</b>					
Local Government spending	-	-	-	-	-
<b>Total CRA amendments</b>	<b>-139</b>	<b>-102</b>	<b>-146</b>	<b>-144</b>	<b>-</b>
<b>Total PESA amendments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note: Amendments do not include EU Transactions

## Expenditure accounting adjustments

Spending in GERS is based on the HM Treasury Total Expenditure on Services (TES) concept, which accounts for around 90% of total spending. Accounting adjustments are used to move from TES to Total Managed Expenditure (TME), the primary measure of public spending used in the UK Public Sector Finances. As discussed in Chapter 1, for the majority of these adjustments, accompanying adjustments are included in revenue estimates, and therefore do not affect the net fiscal balance or current budget balance. This is shown in more detail in Table A.10.

In order to present Scottish Government and Scottish local government spending on a TME basis in GERS, it is necessary to allocate different parts of the accounting adjustments to either the Scottish Government or other UK Government bodies. Currently, capital consumption, VAT refunds, the subsidy to the Housing Revenue Account, Local Authority Pensions, and Scottish housing associations are allocated to the Scottish Government or Scottish local government. Other elements are allocated to other UK Government bodies operating in Scotland.

Table A.7 below shows the accounting adjustments applied to UK spending in GERS to move from TES to TME. Table A.8 shows the adjustments for Scotland.

**Table A.7: Expenditure Accounting Adjustment: UK**

	£ million				
	2014-15	2015-16	2016-17	2017-18	2018-19
UK total managed expenditure (TME)	750,445	756,767	771,954	794,869	810,027
UK total expenditure on services (TES)	688,390	702,154	710,524	733,350	756,232
<b>UK accounting adjustment</b>	<b>62,055</b>	<b>54,613</b>	<b>61,430</b>	<b>61,519</b>	<b>53,795</b>
<b>of which current expenditure:</b>					
Central government capital consumption	17,944	18,313	18,313	18,501	18,558
Local government capital consumption	10,534	11,038	11,539	12,036	12,525
Current VAT refunds	11,517	11,826	11,956	15,159	17,041
Imputed subsidy from Local Authorities to the Housing Revenue Account <sup>1</sup>	588	650	880	1,183	1,520
Imputed flows for Renewable Obligation Certificates <sup>2</sup>	3,064	3,900	4,672	5,424	6,124
Local authority pensions	200	400	200	100	100
Network Rail	1,002	0	0	0	0
British Transport Police Service Agreements	133	150	145	145	145
Current expenditure residual	5,298	-1,104	1,238	-519	-4,195
<b>of which capital expenditure:</b>					
Capital VAT refunds	2,085	2,186	1,779	2,081	1,225
Network Rail	2,261	0	0	0	0
Housing associations	7,752	5,486	7,386	6,330	832
Capital expenditure residual	-322	1,768	3,322	1,078	-81

<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				
	2014-15	2015-16	2016-17	2017-18	2018-19
Scottish total managed expenditure (TME)	68,403	69,339	71,432	73,518	75,338
Scottish total expenditure on services (TES)	63,552	64,939	66,169	68,123	70,254
<b>Scottish accounting adjustment</b>	<b>4,851</b>	<b>4,400</b>	<b>5,262</b>	<b>5,395</b>	<b>5,084</b>
<b>Percentage of UK accounting adjustment</b>	<b>7.8%</b>	<b>8.1%</b>	<b>8.6%</b>	<b>8.8%</b>	<b>9.5%</b>
<b>Of which current expenditure:</b>					
Central government capital consumption	1,364	1,314	1,383	1,394	1,401
Local government capital consumption	1,054	1,099	1,152	1,207	1,255
Current VAT refunds	1,010	1,058	1,077	1,366	1,532
Imputed subsidy from Local Authorities to the Housing Revenue Account <sup>1</sup>	46	50	67	90	116
Imputed flows for Renewable Obligation Certificates <sup>2</sup>	364	463	554	644	727
Local authority pensions	18	37	19	9	9
Network Rail	24	0	0	0	0
British Transport Police Service Agreements	11	13	12	9	9
Current expenditure residual	438	-91	102	-43	-345
<b>Of which capital expenditure:</b>					
Capital VAT refunds	183	196	160	187	110
Network Rail	-100	0	0	0	0
Housing associations	468	118	463	443	276
Capital expenditure residual	-28	145	273	89	-7

<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.

**Table A.9: Accounting Adjustments, Revenue and Expenditure: Scotland, 2018-19**

	Expenditure AA	Revenue AA	Revenue line
<b>Of which current expenditure:</b>			
<b>£ million</b>			
Central government capital consumption	1,401	1,401	Gross operating surplus
Local government capital consumption	1,255	1,255	Gross operating surplus
Current VAT refunds	1,532	1,532	VAT
Imputed subsidy from Local Authorities to the Housing Revenue Account	116	-	n/a
Imputed flows for Renewable Obligation Certificates	727	727	Other taxes, royalties, and adjustments
Local authority pensions	9	-	n/a
British Transport Police Service Agreements	9	9	Other taxes, royalties, and adjustments
Current expenditure residual	-345	-	n/a
<b>Of which capital expenditure:</b>			
Capital VAT refunds	110	110	VAT
Network Rail	0	-	n/a
Royal Mail Pension Plan	0	-	n/a
Housing associations	276	-	n/a
Capital expenditure residual	-7	-	n/a
<b>Total accounting adjustments</b>	<b>5,084</b>	<b>5,034</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 pensions expenditure as the difference between monies paid into the pension fund and monies paid out, and which shows gross expenditure before VAT refunds. Depreciation in GERS is based on the concept of capital consumption, which uses estimates of the value of assets used to provide services in terms of current asset values.

In contrast, budget documents use financial accounting principles, which include a measure of future liabilities of pension funds, and which shows net expenditure after VAT refunds. Depreciation is based on historical asset prices.

A more detailed description of the differences is provided in Box 5.2 of GERS 2013-14. <http://www.gov.scot/Publications/2015/03/1422/8>

Table A.10 below shows the reconciliation of published Scottish Government and Scottish Local Government Finance figures to the figures published in the CRA and GERS. This shows figures for 2017-18 rather than 2018-19, as this is the latest year for which published accounts are available for both the Scottish Government and Scottish local government. 2018-19 figures in GERS are based on provisional outturn estimates.

<b>Table A.10: Reconciliation of published budget documents to GERS expenditure Table 3.8</b>	
	<b>£ billion 2017-18</b>
<b>Scottish Government</b>	
Published Scottish Government budget <sup>1</sup>	39.2
Spending by Audit Scotland and Scottish Parliament	0.1
Public corporation (PC) capital spending	0.5
Timing differences	-0.3
<b>Total Scottish Government &amp; associated PC expenditure</b>	<b>39.5</b>
<b>Adjustments to align budget to CRA measure of spending</b>	
Grants to other public sector bodies (e.g. local government)	-10.5
Pensions	-4.4
Depreciation	-0.7
Financial transactions associated with student loans and public corporations	-1.1
Adjustments to move from spend 'in' Scotland to spend 'for' Scotland <sup>2</sup>	-0.1
Other	0.3
<b>Final Scottish Government &amp; PC expenditure on services for Scotland</b>	<b>23.0</b>
<b>Scottish Local Government</b>	
Published Local Government gross current expenditure <sup>3</sup>	12.9
Income excluding grants from Central Government <sup>4</sup>	-2.3
Housing benefit	1.7
Published Local Government gross capital expenditure <sup>5</sup>	3.0
Income from sales of capital assets <sup>6</sup>	-0.1
<b>Final Scottish Local Government &amp; associated PC expenditure on services for Scotland</b>	<b>15.1</b>
<b>Scottish Government, Local Government, &amp; PC expenditure on services for Scotland</b>	
	<b>38.1</b>
<b>National Accounts adjustments<sup>7</sup></b>	
Capital consumption	2.6
VAT refunds	0.1
Other accounting adjustments	2.0
<b>Final Scottish Government, Scottish Local Government &amp; PC TME</b>	<b>42.8</b>

<sup>1</sup> Scottish Government Budget 2019-20 Annex E

<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 2017-18, Annex B. Total General Fund (excluding the Housing Revenue Account and trading with the public) employee costs, operating costs, and support services costs, less inter-authority recharges (adjustments for LFR purposes).

<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 2017-18, Annex G. All services total gross capital expenditure

<sup>6</sup> Scottish Local Government Finance Statistics 2017-18, Annex I. Total capital receipts used from asset sales/disposals

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

# B

## REVISIONS

This section presents revisions from the previous GERS 2017-18 publication.

### Revisions to Non-North Sea Revenue Estimates from GERS 2017-18

Table B.1 summarises the revisions in this edition of GERS to total non-North Sea revenue. Revisions to Scottish estimates can stem from three sources: revisions to UK totals; revisions to apportionment data; and updated apportionment methodologies. The main methodology changes in GERS 2018-19 relate to income tax and VAT.

There are a number of revisions to UK revenue totals from GERS 2017-18. The main revisions relate to VAT refunds and national insurance contributions. Revisions to VAT refunds follow a review by ONS, HMRC, and HM Treasury. This has increased the value of VAT refunds, which are recorded as both a revenue and an expenditure, and so does not impact on the next fiscal balance. Revisions to national insurance contributions reflect updated data from HMRC. Environmental levies have also been revised, and again these are an imputed revenue also recorded as expenditure, and so do not impact on the overall fiscal balance.

<b>Table B.1: Revision to Estimates of Total Non-North Sea Revenue</b>				
	<b>£ million</b>			
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
<b>Scotland</b>				
Estimates published in GERS 2017-18	52,959	53,942	56,608	58,630
Estimates published in GERS 2018-19	53,034	53,805	56,245	58,327
<b>Revision (£m)</b>	<b>75</b>	<b>-138</b>	<b>-363</b>	<b>-303</b>
<i>Of which: income tax</i>	0	-250	-472	-579
<i>Of which: national insurance contributions</i>	0	-16	4	-132
<i>Of which: value added tax</i>	124	128	59	262
<b>UK</b>				
Estimates published in GERS 2017-18	658,263	684,393	726,259	748,911
Estimates published in GERS 2018-19	658,884	685,012	727,040	751,776
<b>Revision (£m)</b>	<b>621</b>	<b>619</b>	<b>781</b>	<b>2,865</b>
<i>Of which: income tax</i>	0	0	0	-107
<i>Of which: national insurance contributions</i>	0	0	230	-1,502
<i>Of which: value added tax</i>	0	0	0	411
<b>Scotland/UK ratio</b>				
Estimates published in GERS 2017-18	8.0%	7.9%	7.8%	7.8%
Estimates published in GERS 2018-19	8.0%	7.9%	7.7%	7.8%
<b>Revision (% point)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.1%</b>

The main revisions to Scottish revenue reflect the revised methodologies to income tax and VAT, discussed in Chapter 1. Income tax revenue has been revised down following the incorporation of the Scottish Income Tax outturn data published by HMRC. This is partly offset by upward revisions to estimates of VAT, as a result of the work on VAT assignment. The impact of these is discussed in more detail in the GERS revenue methodology note.<sup>27</sup>

<sup>27</sup> <https://www.gov.scot/Topics/Statistics/Browse/Economy/GERS/Methodology>

In addition to the methodological updates, there have also been revisions that result from update to apportionment data. These relate to Air Passenger Duty, where updated estimates have been produced by the Scottish Fiscal Commission, and updated spending data from the Living Costs and Food Survey, which affects estimates of revenue from tobacco duty and insurance premium tax.

	£ million		%	
	Scotland	UK	Scotland	UK
Income tax	-579	-107	-4.6%	-0.1%
National insurance contributions	-132	-1,502	-1.2%	-1.1%
Value added tax	262	411	2.6%	0.3%
Corporation tax (excluding North Sea)	-47	-681	-1.2%	-1.2%
Fuel duties	0	0	0.0%	0.0%
Non-domestic rates	-12	112	-0.4%	0.4%
Council tax	-4	-41	-0.2%	-0.1%
VAT refunds	308	3,454	24.7%	25.1%
Capital gains tax	-3	-86	-1.0%	-1.1%
Inheritance tax	-30	-10	-9.6%	-0.2%
Reserved stamp duties	-21	643	-6.5%	3.9%
Scottish Land & Buildings transaction tax	11	11	2.1%	2.1%
Scottish landfill tax	-1	-1	-0.7%	-0.7%
Air passenger duty	38	0	13.7%	0.0%
Tobacco duties	77	0	7.9%	0.0%
Alcohol duties	0	-1	0.0%	0.0%
Insurance premium tax	-27	-45	-6.6%	-0.8%
Vehicle excise duties	0	0	0.0%	0.0%
Environmental levies	-76	-642	-10.2%	-9.9%
Other taxes	39	590	2.2%	2.8%
<b>Total Non-North Sea taxes</b>	<b>-198</b>	<b>2,105</b>	<b>-0.4%</b>	<b>0.3%</b>
Other Revenue				
Interest and dividends	-4	22	-1.3%	0.3%
Gross operating surplus	-172	-58	-3.7%	-0.1%
Other receipts	72	796	19.3%	28.7%
<b>Total non-North Sea revenue</b>	<b>-303</b>	<b>2,865</b>	<b>-0.5%</b>	<b>0.4%</b>



**Revisions to North Sea Revenue Estimates from GERS 2017-18**

Table B.3 summarises the revisions to North Sea revenues in this edition of GERS by comparing the estimates contained in this report with last year's publication. Estimates are largely unrevised, although there is an upward revision in 2017-18.

<b>Table B.3: Revisions to North Sea Revenue: 2014-15 to 2017-18</b>				
	<b>£ million</b>			
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
<b>Scotland (illustrative geographical share)</b>				
Estimates published in GERS 2017-18	1,377	50	266	1,327
Estimates published in GERS 2018-19	1,377	50	266	1,426
<b>Revision</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>99</b>
<b>UK</b>				
Estimates published in GERS 2017-18	1,691	-85	36	1,192
Estimates published in GERS 2018-19	1,691	-85	36	1,297
<b>Revision</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>105</b>

A discussion of revisions to all taxes between 2014-15 and 2017-18 is provided in the GERS 2018-19 Revenue Methodology note available on the GERS website.

## Revisions to Expenditure Estimates from GERS 2017-18

Table B.4 sets out the changes in estimates of public expenditure in Scotland and the UK between this report and GERS 2017-18. 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.

Scotland's share of total public sector expenditure is unchanged in all years. The majority of revisions reflect changes to accounting adjustments.

<b>Table B.4: Revisions to Estimates of Total Managed Expenditure: 2014-15 to 2017-18</b>				
	<b>£ million</b>			
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
<b>Scotland</b>				
Estimates published in GERS 2017-18	68,640	69,492	71,354	73,398
Estimates published in GERS 2018-19	68,403	69,339	71,432	73,518
<b>Revision</b>	-237	-152	78	120
<i>Of which revisions to TES</i>	-31	34	276	-223
<i>Of which revisions to accounting adjustment (excl HAs)</i>	-207	-186	-198	343
<b>UK</b>				
Estimates published in GERS 2017-18	750,445	756,767	771,981	789,460
Estimates published in GERS 2018-19	750,445	756,767	771,954	794,869
<b>Revision</b>	0	0	-27	5,409
<i>Of which revisions to TES</i>	569	465	873	-283
<i>Of which revisions to accounting adjustment (excl HAs)</i>	-569	-465	-900	5,618
<b>Scotland/UK Ratio</b>				
Estimates published in GERS 2017-18	9.1%	9.2%	9.2%	9.3%
Estimates published in GERS 2018-19	9.1%	9.2%	9.3%	9.2%
<b>Revision (% point)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

The table below shows the revisions to spend in 2017-18 by function, and by Scottish Government, Scottish local government, Scottish public corporations, and Other UK government bodies. Overall, Scottish spend in 2017-18 has been revised up by £120 million. This is primarily reflects relatively small changes across all spending lines as part of the move from provisional to final outturn.

**Table B.5: Revisions to Estimates of Public Sector Expenditure: Scotland and UK 2017-18**

	£ million					
	Scotland					UK
	Scottish Government	Local Government	Scottish Public Corporations	Other UK Government Bodies	Total	
<b>General public services</b>						
Public and common services	0	72	0	36	108	-622
International services	0	0	0	-14	-14	-155
Public sector debt interest	0	0	0	22	22	372
Defence	0	0	0	-5	-5	17
Public order and safety	8	0	0	4	12	-97
<b>Economic affairs</b>						
Enterprise and economic development	22	-26	0	39	35	1,561
Science and technology	0	0	0	90	90	-29
Employment policies	0	0	0	0	0	4
Agriculture, forestry and fisheries	-19	9	3	0	-7	-79
Transport	-40	-23	28	-158	-194	-826
Environment protection	0	-32	0	5	-28	348
Housing and community amenities	0	32	-1	-18	-63	-722
Health	-17	0	0	15	-2	1,525
Recreation, culture and religion	-39	3	0	-14	-49	-311
Education and training	-2	98	0	8	104	-1,759
Social protection	-8	-54	0	-230	-292	488
EU Transactions	0	0	0	62	62	0
Accounting adjustments	-108	0	118	332	343	5,692
<b>Total revision</b>	<b>-204</b>	<b>79</b>	<b>147</b>	<b>173</b>	<b>120</b>	<b>5,409</b>

## 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.

<b>Table B.6: Revisions to capital consumption: 2014-15 to 2017-18</b>				
	<b>£ million</b>			
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
<b>Scotland</b>				
Estimates published in GERS 2017-18	4,527	4,468	4,451	4,629
Estimates published in GERS 2018-19	4,388	4,338	4,356	4,376
<b>Revision</b>	<b>-139</b>	<b>-130</b>	<b>-95</b>	<b>-253</b>

In general, capital consumption in all years has been revised down in all years, reflecting the incorporation of the latest ONS Regional Accounts data. Revisions in 2017-18 are larger, as there are also revisions in this year from taking on updated public corporation data.

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

## Revisions to Fiscal Aggregates

Table B.7 shows revisions to the current budget balance from the previous publication of GERS. The UK current budget balances has improved in all years other than 2017-18, whilst the Scottish current budget balance excluding the North Sea has worsened in both 2016-17 and 2017-18. The different movement in the Scottish and UK figures in 2016-17 primarily reflects the revisions to estimates of Scottish income tax in this year.

**Table B.7: Revisions to Estimates of the Current Budget Balance: 2014-15 to 2017-18**

	£ million			
	2014-15	2015-16	2016-17	2017-18
<b>Estimates published in GERS 2017-18</b>				
Excluding North Sea revenue	-13,092	-12,865	-10,700	-10,633
Including North Sea revenue (per capita share)	-12,952	-12,872	-10,697	-10,535
Including North Sea revenue (geographical share)	-11,715	-12,815	-10,433	-9,306
<i>UK</i>	-53,877	-38,385	-7,214	1,256
<b>Estimates published in GERS 2018-19</b>				
Excluding North Sea revenue	-12,655	-12,677	-11,030	-10,744
Including North Sea revenue (per capita share)	-12,515	-12,684	-11,027	-10,638
Including North Sea revenue (geographical share)	-11,278	-12,627	-10,764	-9,318
<i>UK</i>	-53,256	-37,766	-6,416	861
<b>Difference (£ million) (positive shows improvement)</b>				
Excluding North Sea revenue	437	188	-330	-111
Including North Sea revenue (per capita share)	437	188	-330	-103
Including North Sea revenue (geographical share)	437	188	-331	-12
<i>UK</i>	621	619	798	-395

Table B.8 shows revisions to the net fiscal balance from the previous publication of GERS. The revisions pattern is quite similar to that for the current budget balance.

**Table B.8: Revisions to Estimates of the Net Fiscal Balance: 2014-15 to 2017-18**

	£ million			
	2014-15	2015-16	2016-17	2017-18
<b>Estimates published in GERS 2017-18</b>				
Excluding North Sea revenue	-15,682	-15,549	-14,746	-14,768
Including North Sea revenue (per capita share)	-15,542	-15,556	-14,743	-14,670
Including North Sea revenue (geographical share)	-14,304	-15,499	-14,480	-13,441
<i>UK</i>	-90,491	-72,459	-45,686	-39,357
<b>Estimates published in GERS 2018-19</b>				
Excluding North Sea revenue	-15,369	-15,535	-15,187	-15,192
Including North Sea revenue (per capita share)	-15,229	-15,542	-15,184	-15,085
Including North Sea revenue (geographical share)	-13,992	-15,484	-14,921	-13,766
<i>UK</i>	-89,870	-71,840	-44,878	-41,796
<b>Difference (£ million) (positive shows improvement)</b>				
Excluding North Sea revenue	313	14	-441	-424
Including North Sea revenue (per capita share)	313	14	-441	-415
Including North Sea revenue (geographical share)	312	15	-441	-325
<i>UK</i>	621	619	808	-2,439

In addition to revisions to the fiscal aggregates in cash terms, there are also changes to the fiscal aggregates expressed as a share of GDP due to revisions to GDP estimates. These are shown in Tables B.9 and B.10 for the current budget balance and the net fiscal balance respectively. If there had been no revisions to estimates of the fiscal aggregates in cash terms, previous estimates of the balances as a share of GDP would generally have been unchanged. This reflects the fact that revisions to the nominal value of GDP have been relatively small.

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

	2014-15	2015-16	2016-17	2017-18
<b>Estimates published in GERS 2017-18</b>	<b>% of GDP</b>			
Excluding North Sea revenue	-8.9%	-8.7%	-7.1%	-6.8%
Including North Sea revenue (population share)	-8.7%	-8.6%	-7.0%	-6.7%
Including North Sea revenue (geographical share)	-7.3%	-8.0%	-6.4%	-5.5%
<i>UK</i>	-2.9%	-2.0%	-0.4%	0.0%
<b>GERS 2017-18 estimate with latest GDP estimates</b>	<b>% of GDP</b>			
Excluding North Sea revenue	-9.0%	-8.7%	-7.0%	-6.7%
Including North Sea revenue (population share)	-8.8%	-8.7%	-7.0%	-6.6%
Including North Sea revenue (geographical share)	-7.3%	-8.0%	-6.4%	-5.4%
<i>UK</i>	-2.9%	-2.0%	-0.4%	0.1%
<b>Change (positive denotes improvement)</b>	<b>% point difference</b>			
Excluding North Sea revenue	0.0%	0.0%	0.1%	0.1%
Including North Sea revenue (population share)	0.0%	0.0%	0.0%	0.1%
Including North Sea revenue (geographical share)	0.0%	0.0%	0.0%	0.0%
<i>UK</i>	0.0%	0.0%	0.0%	0.0%

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

	2014-15	2015-16	2016-17	2017-18
<b>Estimates published in GERS 2017-18</b>	<b>% of GDP</b>			
Excluding North Sea revenue	-10.7%	-10.5%	-9.7%	-9.5%
Including North Sea revenue (population share)	-10.5%	-10.4%	-9.6%	-9.3%
Including North Sea revenue (geographical share)	-8.9%	-9.7%	-8.9%	-7.9%
<i>UK</i>	-4.9%	-3.8%	-2.3%	-1.9%
<b>GERS 2017-18 estimate with latest GDP estimates</b>	<b>% of GDP</b>			
Excluding North Sea revenue	-10.7%	-10.5%	-9.7%	-9.3%
Including North Sea revenue (population share)	-10.5%	-10.5%	-9.6%	-9.2%
Including North Sea revenue (geographical share)	-8.9%	-9.7%	-8.9%	-7.9%
<i>UK</i>	-4.9%	-3.8%	-2.3%	-1.9%
<b>Change (positive denotes improvement)</b>	<b>% point difference</b>			
Excluding North Sea revenue	0.0%	0.0%	0.1%	0.1%
Including North Sea revenue (population share)	0.0%	0.0%	0.1%	0.1%
Including North Sea revenue (geographical share)	0.0%	-0.1%	0.0%	0.0%
<i>UK</i>	0.0%	0.0%	0.0%	0.0%

# C

## LIST OF ABBREVIATIONS

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CRA	Country and Regional Analysis
DWP	Department for Work and Pensions
ESA10	European System of Accounts 2010
EU	European Union
GDP	Gross Domestic Product
GERS	Government Expenditure and Revenue Scotland
GOS	Gross Operating Surplus
HEI	Higher Education Institutions
HMRC	HM Revenue and Customs
IMF	International Monetary Fund
NPD	Non-Profit Distributing
NHS	National Health Service
NRS	National Records of Scotland
NSND	Non-savings non-dividends income tax
OBR	Office for Budget Responsibility
ONS	Office for National Statistics
PFI	Private Finance Initiative
PPP	Public Private Partnerships
QNAS	Quarterly National Accounts Scotland
TES	Total Expenditure on Services
TME	Total Managed Expenditure
UK	United Kingdom
UN	United Nations
VAT	Value Added Tax

# D

## GLOSSARY

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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.

**Classifications of the Functions of Government:** the functions in GERS are based on the UN's Classification of the Functions of Government (COFOG). The tables are consistent with UN COFOG level 1, with additional detail provided for general public services and economic affairs. Further detail is provided in Public Expenditure Statistical Analyses.

**Country and Regional Analysis (CRA):** the primary source of outturn data on public expenditure identifiable to Scotland, Wales, Northern Ireland and the English regions.

**Current Budget Balance:** the difference between current revenues (including capital taxes) and current expenditure (including capital consumption).

**Current Expenditure:** the sum of the current expenditure of general government and interest and dividends payable by public corporations to the private sector and abroad. Public sector current expenditure is net of certain revenue items, such as some sales of goods and services by general government. As it is defined at the public sector level, any transactions and transfers between parts of the public sector are also excluded. It includes items such as public sector wages and salaries and transfer payments.

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

**European System of Accounts 2010 (ESA10):** the system used by the Office for National Statistics for producing and presenting UK National Accounts. The system is a legal requirement for EU member states reporting economic statistics to the EU Commission. It is consistent with the UN's System of National Accounts 2008.



**EU Transactions:** EU transactions cover public sector transactions with the EU, excluding those associated with customs duties. It does not include any transactions between the EU and private bodies.

**Extra-regio:** the part of UK economic activity that is not allocated to a specific region. Extra-regio includes activity relating to offshore oil and gas extraction, UK embassies overseas and armed forces stationed abroad.

**General Government:** Central and local government.

**Gross Domestic Product:** a measure of the value of goods and services produced in the UK before providing for capital consumption. It is equal to gross value added at basic prices plus taxes (less subsidies) on products. Alternatively, it is equal to the sum of total final domestic consumption expenditures less imports of goods and services.

**Gross Operating Surplus:** the surplus generated by operating activities after the labour factor input has been recompensed.

**Gross Value Added:** the contribution to the economy of each individual producer, industry or sector in Scotland or the UK. It is a measure of GDP in basic prices.

**Local Government:** all 32 Local Authorities in Scotland.

**National Accounts:** a statistical system that represents the economic activity and transactions between sectors in a national economy (see ESA10).

**Net Fiscal Balance:** the difference between estimated total public sector spending for Scottish residents and estimated total public sector revenue raised in Scotland.

**Net Investment:** public sector capital expenditure, net of capital consumption.

**Outturn:** expenditure (revenue) actually incurred (received) to date

**Public Corporations:** a sector from National Accounts consisting of publicly controlled market entities. To be classed as 'market' their sales must be at least 50% of their operating costs.

**Public Sector Finances:** the monthly statistics on the public sector produced jointly by the Office for National Statistics and HM Treasury.

**Total Expenditure on Services (TES):** an aggregate used in CRA to analyse capital and current spending of the public sector.

**Total Managed Expenditure (TME):** a definition of aggregate public spending derived from National Accounts. TME captures total expenditure in the UK public finances.

**Who Benefits Principle:** the approach used to estimate expenditure for Scotland. It identifies the expenditure in a given year that was incurred for the full range of public services that were consumed: that is, those services provided *for* the people of Scotland.

**Who Pays Principle:** the approach used to estimate public sector revenue in Scotland. It is based upon the residential location of where the revenue is raised.

## **A National Statistics publication for Scotland**

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### **Correspondence and enquiries**

For enquiries about this publication please contact:

Sandy Stewart

Office of the Chief Economic Advisor,

Telephone: 0131 244 2825

e-mail: [economic.statistics@gov.scot](mailto:economic.statistics@gov.scot)

For general enquiries about Scottish Government statistics please contact:

Office of the Chief Statistician, Telephone: 0131 244 0442,

e-mail: [statistics.enquiries@gov.scot](mailto:statistics.enquiries@gov.scot)

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ISBN 978-1-83960-068-5

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ISBN: 978-1-83960-068-5

The text pages of this document are printed on recycled paper  
and are 100% recyclable.

APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA  
PPDAS621210 (08/19)