

SCOTLAND'S FISCAL POSITION

This note provides a summary of the key statistics published in **Government Expenditure and Revenue Scotland (GERS) 2012-13**.

GERS estimates the contribution of revenue raised in Scotland towards the goods and services provided for the benefit of the people of Scotland under the current constitutional arrangements. It covers all revenues and expenditures raised and spent for Scotland. All figures in this note include an illustrative geographical share of North Sea revenues.

1. Revenues: Per capita public sector revenues in Scotland are higher than in the UK

- Total estimated Scottish receipts in 2012-13 were equivalent to £10,000 per person in Scotland compared to £9,200 per person in the UK as a whole.
- Scotland generated 9.1% of UK tax with 8.3% of the population in 2012-13.

Total Estimated Tax Revenue Per Capita						
(£)	2008-09	2009-10	2010-11	2011-12	2012-13	Average
Scotland	£10,600	£9,100	£9,800	£10,600	£10,000	£10,000
UK	£8,700	£8,300	£8,800	£9,100	£9,200	£8,800
<i>Difference</i>	<i>£2,000</i>	<i>£800</i>	<i>£1,000</i>	<i>£1,500</i>	<i>£800</i>	<i>£1,200</i>

2. Spending: On average over the past five years, public spending in Scotland as a share of GDP was lower than in the UK.

Total Estimated Public Spending						
% of GDP	2008-09	2009-10	2010-11	2011-12	2012-13	Average
Scotland	41.7%	46.2%	44.2%	44.1%	45.1%	44.2%
UK	44.1%	47.0%	46.2%	44.8%	44.6%	45.4%

GERS provides two measures of Scotland's fiscal position, the current budget balance and the net fiscal balance. The net fiscal balance includes capital investment, such as the construction of roads, hospitals and schools, which yields benefits not just to current but also future taxpayers. Public sector capital investment is higher in Scotland than the UK, with Scotland accounting for 12.3% of total UK capital investment in 2012-13.

3. Current Budget Balance: On average over the past five years, Scotland had a stronger current budget balance than the UK as a whole

Estimated Current Budget Balance						
% of GDP	2008-09	2009-10	2010-11	2011-12	2012-13	Average
Scotland	0.6%	-7.1%	-5.7%	-3.1%	-5.9%	-4.3%
UK	-3.5%	-7.6%	-6.7%	-5.7%	-5.8%	-5.9%

- Scotland ran a current budget surplus in 2005-06, 2006-07 and 2008-09. The UK last ran a current budget surplus in 2001-02.
- In 2012-13, Scotland's Current Budget Balance was £8.6 billion (5.9% of GDP) whilst it's Net Fiscal Deficit was £12.1 billion (8.3% of GDP).

4. Net Fiscal Balance: On average over the past five years, Scotland had a smaller net fiscal deficit than the UK as a whole

Estimated Net Fiscal Balance						
% of GDP	2008-09	2009-10	2010-11	2011-12	2012-13	Average
Scotland	-2.9%	-10.7%	-8.5%	-5.8%	-8.3%	-7.2%
UK	-6.9%	-11.0%	-9.3%	-7.6%	-7.3%	-8.4%

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5. Scotland's Relative Fiscal Position:

- As in last year's GERS, it is estimated that Scotland has been in a stronger fiscal position than the UK in four of the last five years.
- In cash terms, Scotland's relatively stronger fiscal position compared to the UK over the period 2008-09 and 2012-13 as a whole was equivalent to £8.3 billion (or £1,600 per capita).

	Net Deficit as % of GDP		Difference (Scotland minus UK)	Scotland GDP Inc North Sea (£ Millions)	Difference (£ million)	Difference (£ per capita)
	Scotland	UK				
Column	A	B	C = A - B	D	E = C * D	F = E / Population
2008-09	-2.9%	-6.9%	4.02%	142,616	£5,734	£1,100
2009-10	-10.7%	-11.0%	0.29%	134,272	£392	£75
2010-11	-8.5%	-9.3%	0.78%	145,161	£1,129	£214
2011-12	-5.8%	-7.6%	1.76%	147,120	£2,594	£489
2012-13	-8.3%	-7.3%	-1.04%	144,672	-£1,507	-£283
Total					£8,343	£1,595

6. North Sea Revenues: Changes between 2011-12 and 2012-13

- North Sea revenue decreased by 41.5% between 2011-12 and 2012-13. An above trend fall in oil and gas production and recent record levels of capital investment were the primary drivers -
 - The above trend fall in production reflected, in part, a series of unplanned production stoppages at several large gas fields (e.g. Elgin).
 - Capital investment in the North Sea continues this rise. While this reduces tax receipts in the short term, it will boost future production (and tax revenues). For example, Oil and Gas UK estimate that capital investment in 2013 reached £14.4 billion – and has more than doubled since 2010.
 - Recent declines in production are expected to be reversed as new fields come online. Oil and Gas UK forecast that production will increase by 14% between 2013 and 2018.

7. Social Protection Expenditure

- In each of the past five years, an estimated smaller percentage of Scotland's tax revenues was spent on social protection, which includes the welfare state and pensions, compared to the UK.
- Expenditure on social protection as a share of GDP has also been lower in Scotland than in the UK in each of the past 5 years.

Estimated Social Protection Spending as a Share of Tax Revenue						
	2008-09	2009-10	2010-11	2011-12	2012-13	Average
Scotland	33.5%	42.1%	40.0%	37.6%	42.3%	39.1%
UK	38.1%	43.4%	41.6%	41.7%	43.0%	41.6%

Estimated Social Protection Spending as a Share of GDP						
	2008-09	2009-10	2010-11	2011-12	2012-13	Average
Scotland	13.0%	15.0%	14.3%	14.4%	15.5%	14.4%
UK	14.2%	15.6%	15.4%	15.5%	16.0%	15.3%