

Westminster charges Scotland billions of pounds in service costs

[Michael Gray](#) | 12/03/2014 | [21 Comments](#)

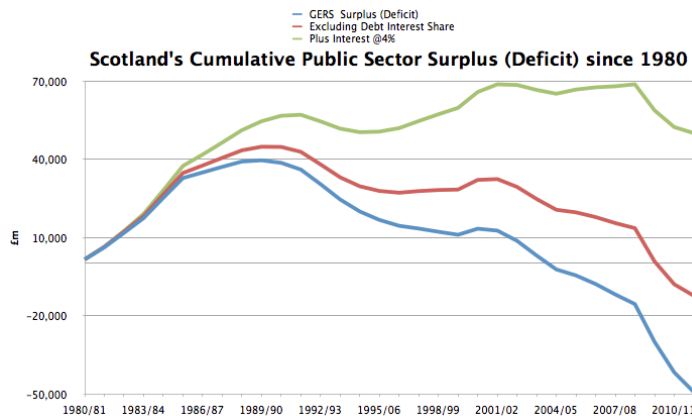


The latest Government figures on Scotland's economy contain billions in service charges for activities in the rest of the UK. As pointed out by [Douglas Fraser](#), BBC Scotland Business and Economy Editor, this raises a challenge over measuring Scotland's economy.

Despite claiming to present Scotland's financial position, the Government Expenditure and Revenue Scotland figures include higher costs for defence, debt and administrative services that should not apply to Scotland.

The extra costs for services in the rest of the UK make Scotland's finances appear worse than they actually are by billions of pounds every year. In the last 5 years these sectors cost Scotland £35 billion; yet Scotland did not receive or need £35 billion in services. Only in an independent Scotland will Scotland have full control over its own financial decisions and spending.

Westminster debt costs Scotland



Business for Scotland previously highlighted that [Westminster has cost Scotland £64 billion](#) in unnecessary debt interest costs. Today's figures subtracted another £4.02 billion from Scotland's accounts due to Westminster's debts.

In the last 5 years Scotland has paid £17.067 billion to service Westminster's debt. The UK's failed economic model has dragged Scotland down. As a [recent report by the Reid Foundation explained](#), political decisions have benefited London and the South East at the expense of the rest of the UK. Scotland's accounts pay the price for this in debt interest.

On the basis of a fair division of assets and liabilities, (and therefore the continuation of the currency union), Scotland will continue to service a share of the UK debt. However, [Scotland's debt to GDP ratio will be lower than the UK's in all circumstances](#). This means that Scotland will be in a stronger position to service this share of the debt going forward.

Scotland's excessive defence charges

In the past 5 years Scotland was charged £15.813 billion in defence costs. However, government figures have found a massive defence underspend in Scotland. Between 2002 and 2008 [£5.6](#) billion less was spent in Scotland than Scotland paid in costs.

Scotland has also paid for one of the largest military budgets in the world while defence jobs in Scotland have been cut by [27.9%](#) across a decade. Scotland continues to face the brunt of UK military cuts.

This year £3.027 billion was taken out of Scotland's budget for defence. Similar countries operate strong military forces on costs between £1.5 and £2.5 billion a year. Currently Scotland is charged extra costs for a poorer service, receiving only around £2 billion of these costs.



This service cost includes around £200 million a year for Trident nuclear missiles. Over its lifetime Scotland's financial accounts have been damaged by

billions of pounds due to the cost of nuclear missiles. Currently Scotland does not even have Maritime Patrol Aircraft or Maritime Patrol Vessels despite the significance of its coastline to national security.

Scotland continues to be charged billions of pounds extra in its national accounts without benefiting from the services it pays for.

Administration and service costs

£1.381 billion is subtracted from Scotland’s finances for ‘public and common services costs’. Over the past 5 years £2.1 billion has paid for Westminster’s administration structure – ie. services in the rest of the UK and Scotland.

This includes Scotland’s contribution to the UK’s £3.84 billion tax administration spend, £1.6 billion in UK Border Agency costs and hundreds of millions of pounds for the House of Lords and Commons.

Some of this £2.1 billion will have been spent in Scotland. However, Scotland is subsidising Westminster costs in a number of areas.

Firstly, the UK’s tax administration costs are based on an inefficient model of tax collection. As a result, Scotland has to pay far higher costs than similar countries. Collection costs are 50% lower in Sweden and Switzerland.

Estonia	0.36	Turkey	0.82	Netherlands	1.03
Sweden	0.40	Finland	0.84	Ireland	1.16
Switzerland	0.40	New Zealand	0.86	Hungary	1.17
Iceland	0.41	Israel	0.90	France	1.25
United States	0.63	Spain	0.90	Canada	1.33
Mexico	0.66	United Kingdom	0.91	Belgium	1.35
Denmark	0.71	Slovenia	0.93	Czech	1.36
Austria	0.74	Luxembourg	0.94	Germany	1.45
Chile	0.79	Portugal	0.97	Japan	1.80
Korea	0.80	Australia	1.01	Poland	2.50

Source: OECD, Tax Administration 2013, Comparative information on OECD and other advance and emerging economies

Scotland’s current population share of UK costs is around £323 million. Following sensible reports ([Mirrlees](#) and [Beveridge](#)) could save Scotland significant amounts in administration costs.

The UK Border Agency is also an area of heavy spending in the rest of the UK. Scotland’s share of its [£1.6 billion](#) contributes towards its heavy focus on the English Channel. This is the key entry point to England from mainland Europe. Therefore Scotland subsidises its £416 million in ‘Crime and Enforcement’ costs ([page 73](#)) with little return.

A Scottish Border and Migration Service would require lower spending on security for airports, ports, coastal regions and in police support. This would not amount to the same level

of costs of £1.6 billion that the UK spends or require the level of intense policing that takes place between Dover and Calais.

Paying for the Westminster Parliament



Scotland will save £60 million a year in paying Westminster's expenses for the House of Commons and Lords. This may seem like a small number within a national budget – but over 5 years £300 million would be a significant sum of money for extra spending, lower debt and lower taxes in taxes.

Conclusion

Today's GERS report demonstrates that Scotland is a wealthy nation – but it also highlights that people in Scotland are also paying the price for Westminster's incompetence. Last year the Union cost Scotland £9.4 billion in services Scotland had no control over. A Yes vote will reduce these service charges and put Scotland's finances onto an even stronger financial position.