Article

Country and regional public sector finances, UK: financial year ending 2022

Public sector revenue, expenditure and net fiscal balance on a country and regional basis on a financial year basis.

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1 . Main Points

- All UK countries and regions saw a fall in public sector expenditure in financial year ending (FYE) 2022; London had the highest percentage fall compared with the previous year, of 9.2% (£15.8 billion), while the West Midlands had the lowest decrease (3.1%).

- Expenditure across the UK is higher than pre-coronavirus (COVID-19) pandemic (FYE 2020) levels; this is highest in London (£23.7 billion) and lowest in Northern Ireland (£4.9 billion).

- This reduction in expenditure reflects lower expenditure in response to the coronavirus pandemic compared with FYE 2021, offset by a rise in expenditure on public sector debt interest, mostly because of the effect of Retail Price Index (RPI) inflation on index-linked gilts.

- All countries and regions saw an increase in the amount of revenue raised in FYE 2022; Income Tax was the largest contribution to the increase in London, the South East and East of England, while Value Added Tax (VAT) was the largest contribution in all other country and regions.

- All countries and regions, apart from London and the South East, had a net fiscal deficit in FYE 2022; while in FYE 2021 all countries and regions had a net fiscal deficit.

2 . Overview

The estimates in this article and datasets are derived from a detailed set of methodologies agreed with our users, see our Country and regional public sector finances: methodology guide for more detail.

Measurements in this bulletin are subject to a degree of uncertainty. Users wishing to make comparisons between regional estimates of revenue and expenditure data should be aware of the potential for statistical error. For more information see Section 8: Data sources and quality.

We allocate North Sea oil and gas revenue using two distinct methodologies – more details are in the methodology guide. Datasets are available using both methods, but we will use the geographic method throughout this article, noting where the population method leads to notably different results.

Collectively, the sources and methods used to estimate country and regional receipts, expenditure and net fiscal balance mean that different measurements are each subject to a degree of uncertainty. Users should consider this when comparing estimates that are similar to each other – for example, when drawing inferences about the relative performance of countries or regions within a ranked presentation, or when interpreting the performance of any one country or region between time periods.

Figure 1: Interactive map of country and regional public sector finances expenditure (spending) and revenue from financial year ending (FYE) 2000 to FYE 2022

Notes:

1. Per head estimates are calculated using our annual mid-year population estimates.

2. North Sea oil and gas revenue included on a geographic share.

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3 . Expenditure

Total public sector expenditure decreased in all countries and regions of the UK in Financial Year Ending (FYE) 2022. At the UK level, expenditure fell by 5.9%, from £1,106.5 billion to £1,040.9 billion.

Figure 2: London accounted for the highest amount of public sector expenditure in financial year ending (FYE) 2022, while every country and region fell in expenditure between FYE 2021 and FYE 2022

Expenditure in FYE 2021 and FYE 2022, by country and region, £ billions, UK

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The Coronavirus Job Retention Scheme and the Self-Employment Income Support Scheme were open throughout FYE 2021 but closed on 30 September 2021. The Bounce Back Loan Scheme, the Coronavirus Business Interruption Loan Scheme and the Coronavirus Large Business Interruption Loan Scheme closed on March 31 2021.

Expenditure on these schemes fell by £85.4 billion in FYE 2022. This is larger than the overall fall in expenditure (£65.6 billion). Expenditure fell by the largest amount in London (£15.8 billion). Since much of this support was provided to workers and businesses, regions with higher employment are likely to have received more support, and therefore have seen a larger drop in expenditure in FYE 2022 when these schemes ended.

However, not all coronavirus (COVID-19) pandemic-related expenditure can be separately identified as being expenditure directly related to the pandemic. For example, additional expenditure on personal protective equipment by the NHS will be reflected in higher expenditure on health, but it is not possible to say how much of the overall increase of expenditure on health is directly because of the pandemic.

Figure 3: London saw the largest reduction in its expenditure in financial year ending (FYE) 2022

Total change in expenditure by function between FYE 2021 and FYE 2022, by country and region, UK, £ billions
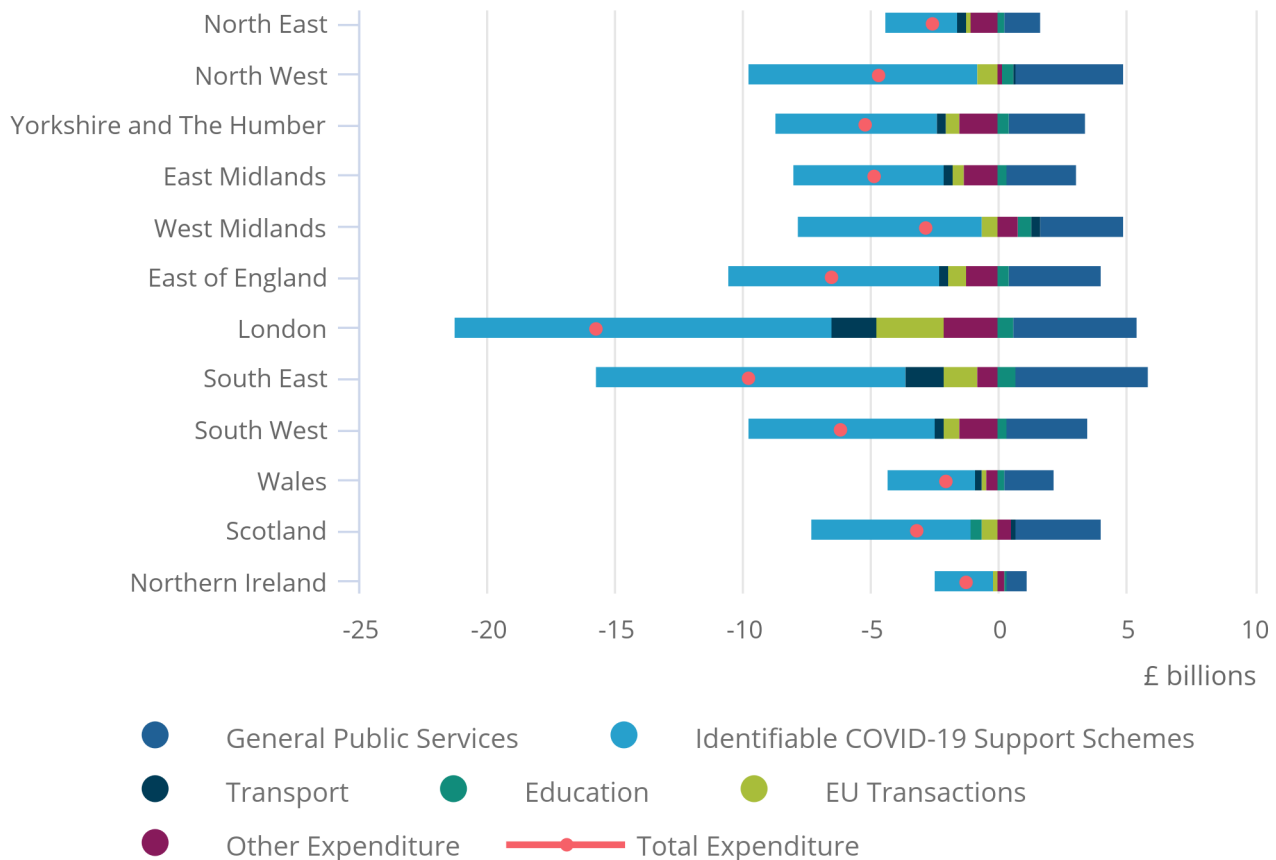
Source: Country and regional public sector finances from the Office for National Statistics, Country and regional analysis from HM Treasury

Notes:

1. Identifiable coronavirus (COVID-19) Support Schemes are made up of the Coronavirus Job Retention Scheme, Self-Employment Income Support Scheme, Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme, Coronavirus Large Business Interruption Loan Scheme and Eat Out to Help Out.

2. Transport will include some unidentifiable coronavirus-related expenditure that reduced in FYE 2022.

3. The fall in EU transactions is because of the fall in contributions to the EU in FYE 2022 after the UK has left the EU.

In FYE 2022, there was an increase across the UK in general public services expenditure. This was mainly driven by an increase in expenditure in public sector debt interest payable (£31.2 billion), mostly because of the increase in Retail Prices Index (RPI) in FYE 2022, which affects the amount paid on index-linked government gilts.

While expenditure reduced in FYE 2022, it is £153.0 billion higher than its pre-pandemic level in FYE 2020 (£887.9 billion). In addition to the expenditure on coronavirus schemes still open in FYE 2022 and the rise in public sector debt interest, expenditure on health and social protection were respectively £53.3 billion and £24.8 billion higher in FYE 2022 than in FYE 2020.

Figure 4: London has seen the largest increase in its expenditure between financial year ending (FYE) 2020 and FYE 2022

Total change in expenditure by function between FYE 2020 and FYE 2022, by country and region, UK, £ billions

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Total change in expenditure by function between FYE 2020 and FYE 2022, by country and region, UK, £ billions
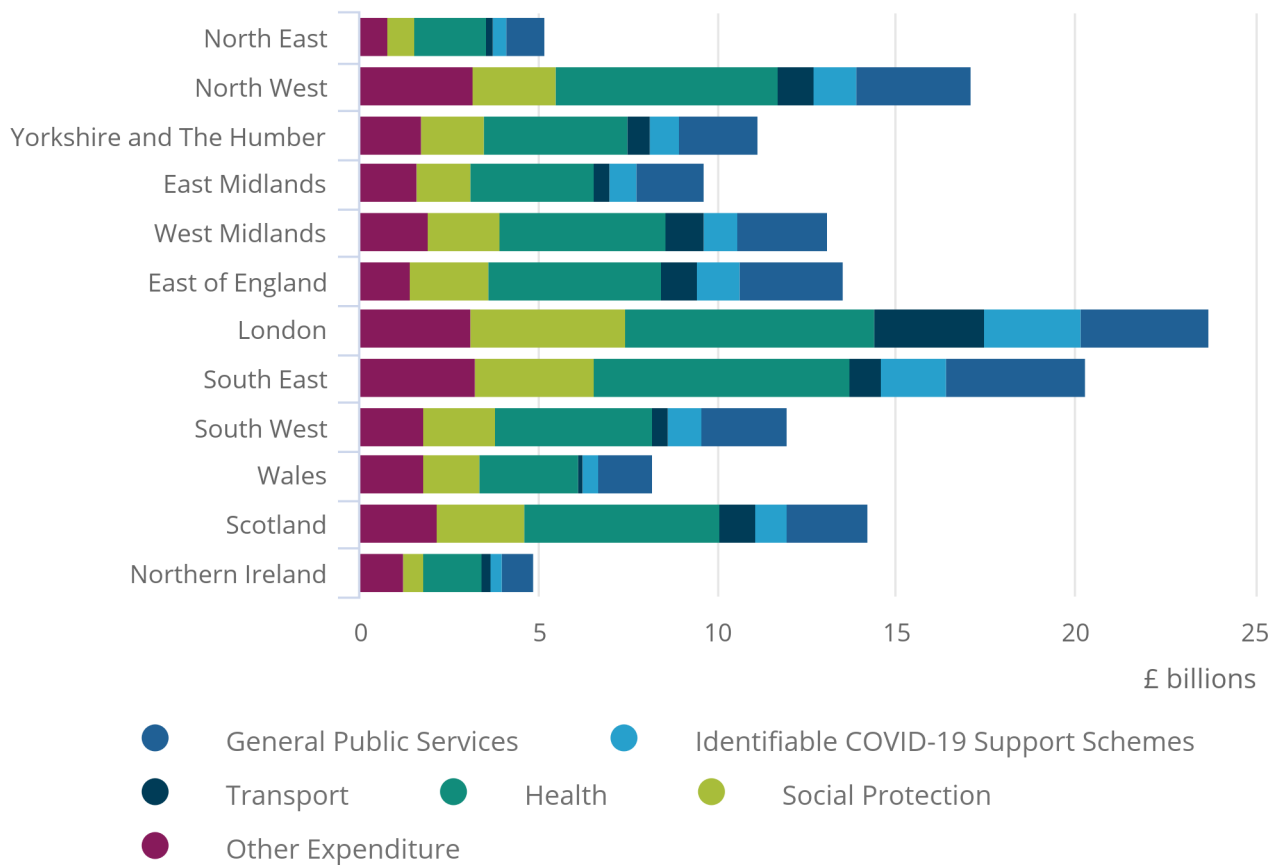
Source: Country and regional public sector finances from the Office for National Statistics, Country and regional analysis from HM Treasury

Notes:

1. Social protection includes state pensions, social care, sickness and disability, unemployment, and child and parent-related benefits.

2. Identifiable coronavirus support schemes consist of the Coronavirus Job Retention Scheme, the Self-Employment Income Support Scheme, the Bounce Back Loan Scheme, the Coronavirus Business Interruption Loan Scheme and the Coronavirus Large Business Interruption Loan Scheme.

The UK's public sector expenditure per head was £15,530 in FYE 2022, a fall of £968 since FYE 2021.

Figure 5: London saw the highest expenditure per head in financial year ending (FYE) 2022

Expenditure per head in FYE 2021 and FYE 2022, by country and region, UK, £ thousands

Notes:

1. Per head estimates are calculated using our annual mid-year population estimates.

Download the data

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4 . Revenue

Total revenue raised in the UK increased from £793.9 billion to £918.8 billion in financial year ending (FYE) 2022.

London raised the most revenue (£194.3 billion) and the South East raised the second largest (£148.8 billion). Northern Ireland raised the lowest amount at £19.3 billion. These figures include a geographic share of North Sea oil and gas revenue. If a population-based share is used, the ranking remains unchanged for all regions, except that the South West exceeds Scotland.

Figure 6: London raised the most revenue per head in financial year ending (FYE) 2022

Revenue per head in FYE 2021 and FYE 2022, country and region, UK, £ thousands

Notes:

1. Per head estimates are calculated using our annual mid-year population estimates.

2. North Sea oil and gas revenue included on a geographic share.

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The increase in revenues in FYE 2022 was predominantly driven by an increase in the revenue raised from:

- Income Tax

- Value Added Tax (VAT)

- social contributions
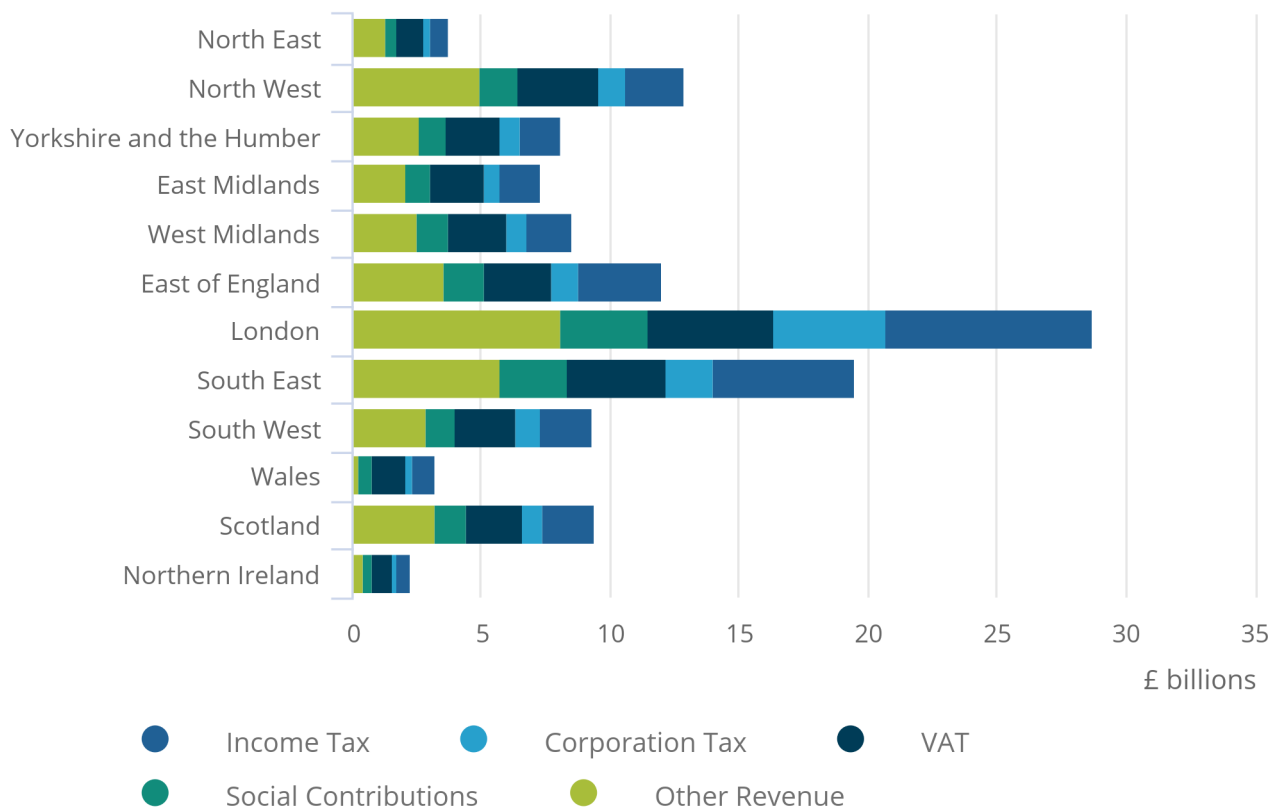
- Corporation Tax

On a country and regional basis, Income Tax was the largest contribution to the increase in revenue for London, the South East and the East of England. VAT was the largest contribution to increase in revenue for all other countries or regions.

Figure 7: Across the UK, increases in Income Tax, social contributions, Value Added Tax (VAT) and Corporation Tax were the main contributors to an increase in revenue

Changes in revenue, by revenue type between financial year ending (FYE) 2021 and FYE 2022, by country and region, UK, £ billions

Figure 7: Across the UK, increases in Income Tax, social contributions, Value Added Tax (VAT) and Corporation Tax were the main contributors to an increase in revenue

Changes in revenue, by revenue type between financial year ending (FYE) 2021 and FYE 2022, by country and region, UK, £ billions

Source: Country and regional public sector finances from the Office for National Statistics

Notes:

1. North Sea oil and gas revenue included on a geographic share.

In FYE 2022, Income Tax, Corporation Tax, VAT and social contributions made up 67.5% of public sector revenue. Either Income Tax or VAT contributes the highest revenue raised in each country or region.

London had the largest difference between its Income Tax and VAT receipts in FYE 2022, with Income Tax raising £32.7 billion more than VAT. Conversely, Wales raised £1.2 billion more in VAT than in Income Tax. Overall, in FYE 2022, seven countries or regions raised more revenue from Income Tax, while five raise more revenue from VAT.

Figure 8: London had the highest difference between revenue raised between Income Tax and Value Added Tax (VAT)

The difference between revenue raised from Income Tax and VAT between FYE 2012 and FYE 2022, country and region, £ billions

Figure 8: London had the highest difference between revenue raised between Income Tax and Value Added Tax (VAT)

The difference between revenue raised from Income Tax and VAT between FYE 2012 and FYE 2022, country and region, £ billions
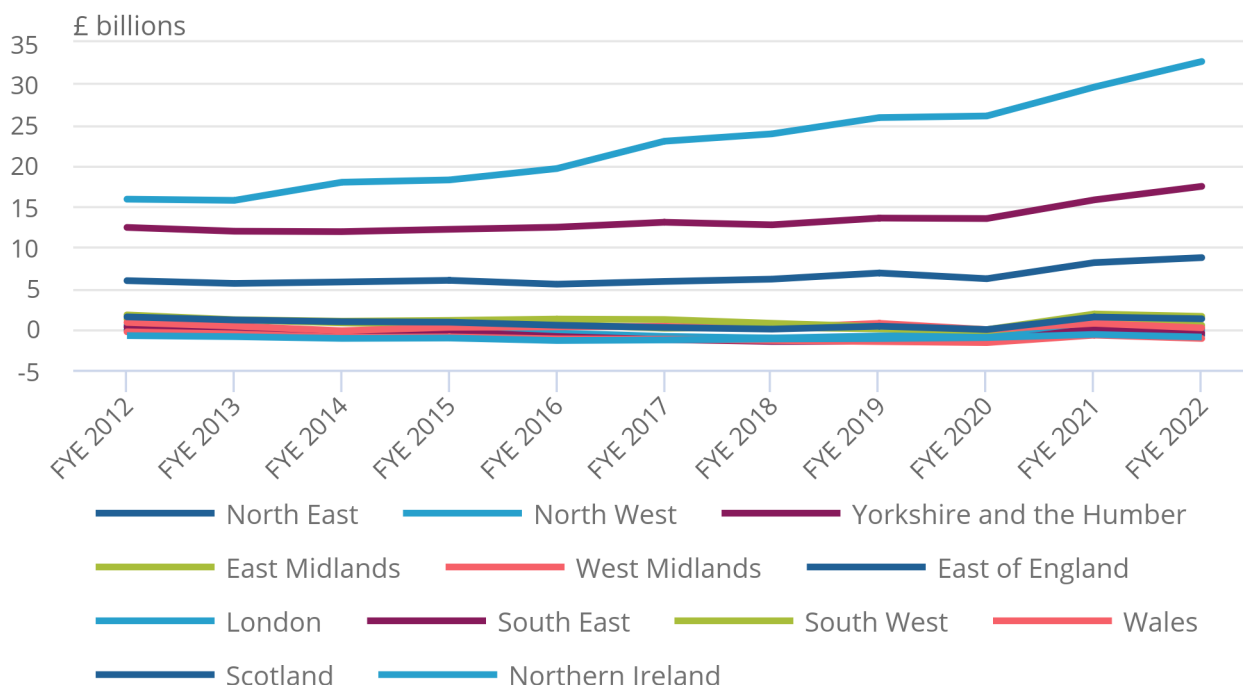
Source: Country and regional public sector finances from the Office for National Statistics

Notes:

1. Positive figures indicate higher Income Tax revenue than VAT revenue.

2. Negative figures indicator higher VAT revenue than Income Tax revenue.

After the VAT standard rates increase in FYE 2011, London, the South East, and the East of England saw Income Tax receipts rise more than VAT receipts, while every other country (aside from England) and region saw their VAT receipts increase more than their Income Tax receipts.

In FYE 2020, all countries and regions, aside from London, the South East, the East of England and England (as a whole) raised more revenue in VAT than in Income Tax. Income Tax receipts increased more than those from VAT across the UK between FYE 2020 and FYE 2022, partly because of reduced household spending during coronavirus (COVID-19).

5 . Net fiscal balance

The net fiscal balance (NFB) is the difference between expenditure and revenue. In financial year ending (FYE) 2022, the UK was in net fiscal deficit, meaning that its expenditure was higher than its revenue. For FYE 2022, the UK's net fiscal deficit was £122.1 billion, a fall from £312.6 billion in FYE 2021. This was because of an increase in revenue and a reduction in expenditure.

Figure 9: Each country and region saw their net fiscal balance (NFB) improve in financial year ending (FYE) 2022

NFB in FYE 2021 and FYE 2022, by country and region, UK

Notes:

1. Negative numbers indicate a net fiscal surplus.

2. Positive numbers indicate a net fiscal deficit.

3. North Sea oil and gas revenue included on a geographic share. If using a population-based share, the Scotland and West Midlands rankings are reversed.

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London is the only country or region whose net fiscal surplus (NFS) in FYE 2022 (£37.9 billion) is larger than its pre-coronavirus (COVID-19) NFS (£37.4 billion).

The UK's net fiscal deficit per head is £1,822.

Figure 10: London had the highest net fiscal surplus per head in FYE 2022

Net fiscal balance per head in 2021 and 2022, by country and region, UK, £ thousands

Notes:

1. Negative numbers indicate a net fiscal surplus.

2. Positive numbers indicate a net fiscal deficit.

3. North Sea oil and gas revenue included on a geographic share. If using a population-based share, the Scotland and West Midlands rankings are reversed.

4. Per head estimates are calculated using the ONS's annual mid-year population estimates.

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6 . Country and Regional Public Sector Finances data

Country and regional public sector finances net fiscal balance tables Dataset | Released 26 May 2023 Public sector net fiscal balance for each country and region of the UK.

Country and regional public sector finances revenue tables Dataset | Released 26 May 2023 Public sector revenue for each country and region of the UK.

Country and regional public sector finances expenditure tables Dataset | Released 26 May 2023 Public sector expenditure for each country and region of the UK.

Country and regional public sector finances net fiscal balance revisions tables Dataset | Released 26 May 2023 Revisions to net fiscal balance revisions for each country and region of the UK.

Country and regional public sector finances supplementary tables Dataset | Released 26 May 2023 Supplementary data accompanying the country and regional public sector finances, including public sector net fiscal balance, revenue, and expenditure per-head; accounting adjustments; and population and GDP data used in this publication.

Country and regional public sector finances ITL1 revenue proportions Dataset | Released 26 May 2023 Country and regional proportions for revenue items.

7 . Glossary

Public sector

Central government departments and bodies (such as the Department for Work and Pensions), local authorities and other local government bodies (such as police authorities), and public sector-controlled corporations (such as Scottish Water).

Public sector revenue

Total current receipts (mainly taxes, but also social contributions, interest, dividends, gross operating surplus and transfers) received by central government and local government bodies as well as public corporations. It is recorded on an accrued basis, following the national accounts rules.

Public sector expenditure

Total capital and current expenditure (mainly wages and salaries, goods and services, and expenditure on fixed capital, but also subsidies, social benefits, and other transfers) of central government and local government bodies as well as public corporations. It is recorded on an accrued basis, following the national accounts rules.

Net fiscal balance

The gap between total spending (current expenditure plus net capital expenditure) and revenue raised (current receipts), is at the UK level equivalent to public sector net borrowing. A negative net fiscal balance figure represents a surplus, meaning that a country or region is receiving in revenue more than is being spent for the benefit of residents or enterprises in that country or region. A positive net fiscal balance represents a deficit, meaning a country or region is undertaking more expenditure for the benefit of its residents or enterprises than it is receiving in revenue.

Further definitions and main terms can be found in our Country and regional public sector finances: methodology guide.

8 . Data Sources and quality

Quality and methodology information (QMI) on strengths, limitations, appropriate uses, and how the data were created is available in our Country and regional public sector finances QMI.

Our Country and regional public sector finances methodology guide provides contextual and methodological information for this article. The methodology guide describes the data and methods used to attribute revenue and expenditure to countries and regions. It also compares the method used with other publications (see Section 9: Related links) and highlights any potential weaknesses in the data and/or methodology.

The data in this article are consistent with our Public sector finances: February 2023 bulletin.

In addition to regular source data updates, this publication includes a number of revisions caused by improved methodologies. Our Recent and upcoming changes to public sector finance statistics: August 2022 article included changes related to the recording of public corporations and an improved accruals method for the recording of National Non-Domestic Rates (NNDR). The new method for NNDR also includes the use of administrative data at a country level, which is reflected in the country and regional split of NNDR receipts.

This publication also includes revised regional apportionment of Corporation Tax receipts, from Financial Year Ending (FYE) 2016 onwards, based on an updated method as detailed in our Country and regional public sector finances methodology guide. Revisions are reported in the Country and regional public sector finances net fiscal balance revision tables.

The geographic boundaries used for countries and regions in the UK follow International Territorial Levels, Level 1 (ITL1).

Feedback

If you would like to send us your feedback, or have suggestions for ways that we can engage with our users in future or make the information in this publication more helpful, please let us know by contacting sub-uk.psf@ons.gov.uk.

Work with external stakeholders

In compiling these estimates, we gather source data from a wide range of external stakeholders and engage their expertise during the peer review part of our quality assurance work. We organise a biannual working group meeting with them to discuss subnational public sector finances statistics. These external stakeholders include governmental departments, such as HM Treasury and HM Revenue and Customs (HMRC), non-departmental bodies such as Office for Budget Responsibility, as well as the devolved administrations (Scottish Government, Welsh Government and Northern Ireland Executive).

We engage with external stakeholders so the data are of the highest possible quality and meet the needs of users. The publication is produced according to the Code of Practice for Statistics. To ensure that these data are produced free from undue influence, the Office for National Statistics:

- maintains control over the final contents of the publication

- limits access to pre-release data so that they are only for quality assurance by relevant stakeholders

- ensures all of the underlying definitions used for measuring transactions and classifications are consistent with those set out in the relevant internationally-agreed statistical frameworks

Strengths and limitations

Limitations of country and regional estimates of public sector finances

Because of the way they are produced, the country and regional fiscal positions presented have a degree of uncertainty. While some public sector revenues and expenditure are collected directly at a regional level, many are administered and documented at a UK level. In these cases, regional estimates are produced by apportioning revenues and expenditure across regions using an appropriate geographical indicator, but these are subject to their own limitations. Users should note that some of these indicator variables offer a stronger allocation mechanism than others.

For example, both the Labour Force Survey (LFS) (used to estimate the number of households in each country and region) and the Living Costs and Food Survey (LCF) (used to estimate regional revenue shares for taxes dependent on the consumption of households) are subject to sampling error. The LFS is benchmarked against decennial census results, and we have introduced steps to improve the accuracy of estimates in the intervening years by comparing with Pay As You Earn (PAYE) real-time tax information. For more information see our Labour Force Survey weighting methodology. It is based on a rolling quarterly sample of 40,000 households. By contrast, the LCF offers a detailed snapshot of the expenditure patterns of households in different regions, sampling around 13,000 addresses each year.

For income-related taxes, regional estimates are based on HMRC's Survey of Personal Incomes (SPI), a large survey based on a sample of administrative data, which is subject to its own statistical error. At the regional level, the most recent available data for the number of taxpayers is subject to a 95% confidence interval of plus or minus 1% of the estimate.

In other cases, information held about the size and geographical location of businesses are used to apportion tax revenues, based on records held on the Inter-Departmental Business Register. This includes information from a variety of administrative sources such as Companies House, Value Added Tax (VAT) and PAYE registrations, but may not include (for example) sole proprietors or partnerships who do not meet the requirements to register for these schemes. These are supplemented by data collected by the Business Register and Employment Survey, which includes workplace-level information. In some cases, geographic apportionment may need to be made to a head or local office location. This is because the level of data available on the IDBR does not necessarily reflect a very detailed spatial record of where all business activity is carried out.

Most expenditure data, around 90%, are sourced from HM Treasury's Country and Regional Analysis publication, and the accompanying guidance note, published on GOV.UK includes information on how regional apportionment is carried out.

Our Country and regional public sector finances QMI contains further information on strengths, limitations, appropriate uses and how the data were created.

Limitations of UK-wide public sector finances

Country and regional estimates are produced to be consistent, at the aggregated UK level, with the UK public sector finances (PSF). For more on the methods used and the quality characteristics of PSF, please see our Public sector finances QMI.

9 . Related links

Country and regional analysis Webpage | Released 16 November 2022 Statistical estimates for the allocation of identifiable expenditure between the UK countries and nine English regions.

HMT Public Expenditure Statistical Analyses (PESA) Webpage | Released 20 July 2022 Public Expenditure Statistical Analyses (PESA) is the yearly publication of information on government spending. It brings together recent outturn data, estimates for the latest year and spending plans for the rest of the current spending review period.

Government expenditure and revenue Scotland Webpage | Released 24 August 2022 Documents and contextual information relating to the Scottish Government's Government Expenditure and Revenue Scotland (GERS) publication.

10 . Cite this article

Office for National Statistics (ONS), released 26 May 2023, ONS website, article, Country and regional public sector finances: financial year ending 2022