

Freedom of Information – [REDACTED]

**Any correspondence (emails, notes, letters, phone calls, minutes of meetings, briefs or otherwise) in 2017 or 2018 between Scottish Government Ministers, special advisers or senior civil servants and anyone at the Scottish Fiscal Commission regarding GDP growth projections, productivity projections or income tax revenue**

-----  
SFC - Scottish Fiscal Commission  
SG - Scottish Government  
SF - Simon Fuller, Scottish Government  
AG - Aidan Grisewood, Scottish Government  
JI - John Ireland, Scottish Fiscal Commission  
-----

SFC to SG inc SF – 16 October 2017 – 15:01

[redacted] Simon, [redacted,]

The protocol between the Scottish Fiscal Commission and the Scottish Government requires us to provide copies of our forecasting models to allow for further policy development in advance of the Draft Budget.

As per the protocol, please find attached the current set of economy forecasting models.

[redacted – Exemption S30 (b) and (c)]

I'm also including a meta-model schematic to help explain the forecasting process:

[Redacted- out of scope]

The data and results in these models are as at the production of our Mock forecast from September, which we shared with you at the working group a few weeks ago. These economy forecasts are also the determinants used in the income tax model shared. I'm sharing these to give you an understanding of the economy forecasting process. I'm afraid to say this is not a perfect snapshot of the mock forecast we produced. You may notice some slight inconsistencies between the input models and the summary models (the SGGEM inputs summary model and the diagnostics model). We did not quite freeze all the models at the same point in time and a few of the models had additional QA and data added during and after the creation of the mock forecasts.

For each formal forecast round from now on, we will ensure we have a version of each model 100% consistent with the final forecast for that round (e.g. we will provide these models for the R0 forecast and they should all be perfectly consistent).

We have already undertaken additional QA, analysis and refinement since the September mock forecast so the R0 forecast may look somewhat different in some aspects to these models. The economic forecasting is a continually evolving process

[REDACTED]

in response to economic developments and data and so the process can never really be pinned down in one particular state for long.

The Commission retains the right to further develop the model over the budget process and we will keep analysts in the Scottish Government informed of any developments. If you have any questions about the models please get in touch.

Kind Regards,

redacted

-----  
SFC to SG inc SF 20 October 16:08

All,

[Email 1/2]

Please find attached latest economy forecasting models consistent with the R0 forecast.

Redacted – exemption S30(b) and (c)

Please note that these models contain Scottish Fiscal Commission assumptions and determinants that are classified as **OFFICIAL-SENSITIVE** and must be protected at all times. These assumptions are produced and circulated purely to enable recipients to scrutinise and challenge our forecasts and forecasting approaches and for the development of the Scottish Government's Draft Budget 2018-19. They must not be used for any other purpose or disclosed to anyone not involved in either our Round 0 meetings, or the development of the Scottish Government's Draft Budget 2018-19. These assumptions and forecasts may be far from the final view and could change significantly.

Kind Regards,

redacted

-----  
SFC to SG inc SF 20 October 16:09

Email 2/2

And one further model

[Redacted- exemption S30 (b) and (c)]

Redacted



-----  
SFC to SG inc SF 3 November 2017 09:59

All,

Email 1/3

Please find attached latest economy forecasting models consistent with the R1 forecast.

[Redacted – exemption S30(b) and (c) ]

Please note that these models contain Scottish Fiscal Commission assumptions and determinants that are classified as **OFFICIAL-SENSITIVE** and must be protected at all times. These assumptions are produced and circulated purely to enable recipients to scrutinise and challenge our forecasts and forecasting approaches and for the development of the Scottish Government's Draft Budget 2018-19. They must not be used for any other purpose or disclosed to anyone not involved in either our Round 1 meetings, or the development of the Scottish Government's Draft Budget 2018-19. These assumptions and forecasts may be far from the final view and could change significantly.

Kind Regards,

redacted  
-----

All,

Email 2/3

Please find attached latest economy forecasting models consistent with the R1 forecast.

Redacted – Exemption S30(b) and(c)

Please note that these models contain Scottish Fiscal Commission assumptions and determinants that are classified as **OFFICIAL-SENSITIVE** and must be protected at all times. These assumptions are produced and circulated purely to enable recipients to scrutinise and challenge our forecasts and forecasting approaches and for the development of the Scottish Government's Draft Budget 2018-19. They must not be used for any other purpose or disclosed to anyone not involved in either our Round 1 meetings, or the development of the Scottish Government's Draft Budget 2018-19. These assumptions and forecasts may be far from the final view and could change significantly.



Kind Regards,

redacted

-----  
All,

Email 3/3

Please find attached latest economy forecasting models consistent with the R1 forecast.

Redacted - Exemption S30(b) and (c)

Please note that these models contain Scottish Fiscal Commission assumptions and determinants that are classified as **OFFICIAL-SENSITIVE** and must be protected at all times. These assumptions are produced and circulated purely to enable recipients to scrutinise and challenge our forecasts and forecasting approaches and for the development of the Scottish Government's Draft Budget 2018-19. They must not be used for any other purpose or disclosed to anyone not involved in either our Round 1 meetings, or the development of the Scottish Government's Draft Budget 2018-19. These assumptions and forecasts may be far from the final view and could change significantly.

Kind Regards,

redacted

-----  
SFC to SG inc AG and SF            17 November 2017 15:33

Hi All,

Please find attached slides on our recent illustrative costing work based on [redacted- exemption S30(b)] discussion on the role of income tax' paper. These slides will help aid discussion on Monday about the types of judgements and assumptions we may take on future proposed policies. I'm happy to share any modelling analysis underpinning the costing after the meeting.

I'd appreciate it if we could receive the spreadsheet underpinning the charts on Slide 7. We find these charts really helpful in explaining the effects of different policy scenarios, and would like to have the capability to recreate these ourselves.

Redacted – exemption S30(b) and (c)

Thanks  
redacted

-----  
SFC to SG inc AG and SF –        24 November 2017 – 17:19





Hi All,

Please find attached the pre-measures Income Tax forecast (R3) which has been agreed by our Commissioners. Note that we will be doing some further QA on the modelling and figures tomorrow, so this forecast still has the potential to change.

Due to time pressures, I haven't been able to provide a corresponding narrative for the changes made since R3. If needed, I'm happy to have a discussion about this in more detail tomorrow. I attach the corresponding models and inputs used to produce this forecast. We aim to have the previously discussed policy costing shared by 14:00 tomorrow.

**Please note that these papers contain Scottish Fiscal Commission assumptions and determinants that are classified as OFFICIAL-SENSITIVE and must be protected at all times. These assumptions are produced and circulated purely to enable recipients to scrutinise and challenge our forecasts and forecasting approaches and for the development of the Scottish Government's Draft Budget 2018-19. They must not to be used for any other purpose or disclosed to anyone not involved in either our Round 3 meetings, or the development of the Scottish Government's Draft Budget 2018-19.**

Redacted – Exemption Section 30 (b)

Thanks  
redacted

---

SFC to SG inc AG and SF 25 November 13:54

Hi All,

Please find attached our costing for [redacted – S30 (b)] as previously discussed. The Commissioners have considered this provisional policy costing. However, it is provisional and that the estimates, particularly of the behavioural elements, may change before publication.

I also attach the threshold and final forecasting spreadsheet detailing the costing outputs. We are happy to have a chat this afternoon about the costing.

[Redacted - Exemption Section 30(b)]

Thanks  
redacted

---

SFC to SG inc AG and SF – 25 November 2017 14:21

All,



Please find attached a note on our post Autumn Budget forecasts providing further detail on some of the changes in judgement we have made. Caveats below still apply.

redacted

Redacted – Exemption- Section 30(b)

Please note that these papers contain Scottish Fiscal Commission assumptions and determinants that are classified as **OFFICIAL-SENSITIVE** and must be protected at all times. These assumptions are produced and circulated purely to enable recipients to scrutinise and challenge our forecasts and forecasting approaches and for the development of the Scottish Government's Draft Budget 2018-19. They must not be used for any other purpose or disclosed to anyone not involved in either our Round 3 meetings, or the development of the Scottish Government's Draft Budget 2018-19.

redacted

-----  
SFC to SG inc AG and SF – 26 November 2017 – 15:37

Hi All,

This notes provides:

(a) A table that contains the coefficients of the Commission's income tax forestalling model. This table completes our sharing of the forestalling model that we have built since the publication of the Income Tax Discussion Paper;

Redacted – Exemption S30(b)

(b) The Commission's provisional policy costing for [redacted] in the Income Tax Discussion Paper with an Additional Rate of [redacted];

Redacted – Exemption S30(b)

(c) A revised costing for [redacted] in the Income Tax Discussion Paper with an [redacted] that replaces our costing of 25th November. The new costing is based upon [redacted]. We also corrected a couple of minor issues relating to the AR income base which I'm happy to chat through with [redacted];

Redacted – Exemption S30(b)

(d) Modelling inputs and outputs relating to these costings.

Redacted – Exemption S30(b)



Final QA has still to be completed so the numbers have not be finalised, however, we anticipate that any revisions will be relatively small.

Thanks  
Redacted

-----  
SFC to SG inc AG and SF – 28 November 2017 17:23

All,

Please find attached the final pre-measures income tax forecasts and underlying models. We have implemented a couple of changes since the R3 forecast and include further detail of these in the note. I'm happy to discuss any of these recent changes further.

Please note that these papers contain Scottish Fiscal Commission assumptions and determinants that are classified as **OFFICIAL-SENSITIVE** and must be protected at all times. These assumptions are produced and circulated purely to enable recipients to scrutinise and challenge our forecasts and forecasting approaches and for the development of the Scottish Government's Draft Budget 2018-19. They must not be used for any other purpose or disclosed to anyone not involved in either our Round 3 meetings, or the development of the Scottish Government's Draft Budget 2018-19.

Redacted – Exemption S30(b)

Thanks  
redacted

-----  
SFC to SG inc AG and SF 29 November 2017 17:14

All,

Thanks [redacted] for your points on our costing – we have made some adjustments to our behavioural methodology based on this. We have also run the costing based on the final pre-measures income forecast, so the static costs are slightly different too.

Redacted – Exemption S30(b)

I attach the latest results and underlying modelling for this costing. I also include the final pre-measures income tax forecast – note that after QA, the 2018-19 figure has [redacted] compared to the version sent last night. We now consider the pre-measures income tax forecast to be closed and will be making no further changes.

Redacted – Exemption S30(b)



Please note that these papers contain Scottish Fiscal Commission assumptions and determinants that are classified as **OFFICIAL-SENSITIVE** and must be protected at all times. These assumptions are produced and circulated purely to enable recipients to scrutinise and challenge our forecasts and forecasting approaches and for the development of the Scottish Government's Draft Budget 2018-19. They must not be used for any other purpose or disclosed to anyone not involved in either our Round 3 meetings, or the development of the Scottish Government's Draft Budget 2018-19.

redacted

-----  
SFG to SG inc SF and AG

4 December 2017 14:09

Hi All,

We will share our initial costing of the measure at the 10:00 challenge meeting tomorrow, and share a finalised costing by COP Wednesday.

To help check our understanding of the proposal, I have compiled a few slides detailing the rates and thresholds in both the baseline and policy scenarios. I also include a 'Behavioural TIE' table which has the elasticities we plan on using for the behavioural calculation. I'd be grateful for confirmation that these slides are consistent with the proposal.

Redacted – Exemption S30(b)

Thanks  
redacted

-----  
SFC to SG inc SF and AG

4 December 2017 17:13

All,

Please find attached our initial costing for the policy. Happy to answer questions about this at our meeting tomorrow.

Redacted – Exemption S30(b)

Thanks  
redacted

-----  
SFC to Cabinet Secretary -

13 December 2017 – 15:02

PS/Cab Sec,





Please find attached a finalised pre-release version of the Scottish Fiscal Commission publication - **Scotland's Economic & Fiscal Forecasts December 2017**.

Redacted – exemption 29(1)(a)

This is being shared in accordance with the Protocol agreed between the Commission and the Scottish Government.

Please note that these papers contain Scottish Fiscal Commission forecasts that are classified as **OFFICIAL-SENSITIVE** and must be protected at all times. These forecasts have been produced to inform the development of the Scottish Government's Draft Budget 2018-19. They must not to be used for any other purpose or disclosed to anyone not involved in Scottish Government's Draft Budget 2018-19.

This will be published on our website following the Cabinet Secretary's speech tomorrow.

Many Thanks

[redacted]

-----  
**MEETING BETWEEN DEREK MACKAY (DM), CABINET SECRETARY FOR FINANCE AND THE CONSTITUTION AND LADY SUSAN RICE (LSR), CHAIR, SCOTTISH FISCAL COMMISSION**

Tuesday 12 December 2017, T4:07, Scottish Parliament

**Officials attending:**

Aidan Grisewood, Deputy Director, Fiscal Responsibility Division  
[redacted], Fiscal Policy Team Leader, Fiscal Responsibility Division  
John Ireland (JI), Chief Executive, Scottish Fiscal Commission

The meeting provided the opportunity for the Scottish Fiscal Commission to outline its first independent forecasts which would be published to accompany the Draft Budget.

DM said the publication of the Draft Budget was just the start of the Parliamentary process with consideration of not only the Draft Budget but the Commission's forecasts and the new Public Sector Pay Policy. He thanked the Commission for all its work in developing the forecasts and appreciated the efforts required from staff. He also noted the clarity of the analysis.

DM recognised the forecasts and assumptions were for the Commission to make and the SG would be supportive of their role and the forecasts.



LSR indicated that she was also pleased that the Commission had produced its reported within the dates set out in the Protocol. She flagged that there had been good working relationships between SG and SFC staff. As this was the first year of operation it was likely that would be a need to review the timings going forward and a need to learn from this year's process.

LSR indicated that where possible the Commission had tried to use Scottish data to develop the forecasts, which was different to other forecasters who often used UK data. Overall, the Commission forecast subdued growth relative to the rest of the UK, partly due to the different demographics in Scotland. The 16-64 year population was not growing in Scotland to the same extent as the rest of the UK. The Commission had costed each SG fiscal policy and these were set out in full in the report. This was intended to add more detail and transparency to the forecasting process. The Commission would also publish its assumptions and modelling spreadsheets on its website.

DM asked about the economic growth forecasts – the Commission appeared to be more cautious compared to EY and an anticipated Fraser of Allander report. The tax discussion paper published by the SG contained low, mid and high behavioural impacts and the SG's mid-point was higher than SFC forecasts. DM flagged that the SG would support the Commission's role and work. He also noted that the Council of Economic Advisers had done some work, which would be published imminently, on behavioural impacts of increasing the top rate which had come to similar conclusions as the Commission's modelling.

In respect of LBTT, DM noted that the OBR had estimated that the UKG first time buyer policy could distort the market. Given Scotland's lower property prices, the Commission didn't consider that the SG policy measures would have as large an effect here. LSR advised that the Commission forecast that the impact on house prices might be small and that first time buyers may use the relief to allow them to buy a more expensive property on the back of larger mortgages.

In ending the meeting, LSR believed that the Commission's forecast were realistic. DM thanked the Commission again for its work in what had been a very intense period for both the Commission and the SG.

**Scottish Government  
December 2017**

-----  
AG to SFC            31/1/2018    13:22

John,

As discussed earlier, I am writing to inform you of Minister's current income tax policy, which will be announced at the Stage 1 Debate later today. This will form the basis of an SRR which will be introduced to Parliament before Stage 3. I attach a note that provides detail on this along with [out of scope]



I hope this is helpful and would of course be grateful if you could share with Commissioners.

An early view on timescales for seeing a draft of your policy costings would be helpful. As ever we'd be happy to take any questions.

I'm having to leave early today (3pm) and won't be available this evening, but [redacted] and [redacted] should be able to assist on IT questions. [Redacted] goes on leave today, but [redacted] is back in terms of key contact points this side.

I'd still welcome the catch up tomorrow, but from discussions here I don't think we need the full meeting at this point.



SFC Note.docx

Aidan

-----  
SFC to AG - 2 February 2018 15:55  
Aidan, all,

Please find attached a short slide pack containing the Commission's initial costing of the announced income tax policy and the impact of the higher public sector pay agreement.

[redacted] and I are happy to have a chat about this on Monday if there are any immediate issues. There is also an opportunity for a challenge session on Tuesday.

Kind Regards,

[redacted]

Redacted – Exemption S30(b)

[out of scope]

-----  
SFC to SG inc AG 5 February 2018 15:10

Aidan, [redacted]

In accordance with the supplement to the Protocol, please find attached our publication for fact checking. **Please provide any points regarding factual accuracy by 2pm at the very latest.** This will be published at 15:00 today (6 February 2018).

Redacted – exemption 29(1)(a)



There have been some minor changes since the version we shared yesterday. We have expanded our discussion of Government borrowing (see paragraphs 4 – 5), changed our description of the changes to the higher rate threshold (paras 7-8) and added some further explanation of how we handle the extended public sector pay announcement (paras 28-29).

[redacted – Exemption S30(b)]

Again just due to a rounding issue. [redacted] and [redacted] have been talking about these, just wanted to flag that these numbers have changed very slightly but it doesn't affect any of the headline numbers.

[Redacted – Exemption S30(b)]

Please note that these papers contain Scottish Fiscal Commission forecasts that are classified as **OFFICIAL-SENSITIVE** and must be protected at all times. They are being provided for the purposes of fact checking only at this time.

We will separately send the final media release over shortly.

Thanks

[redacted]

-----  
SG to SFC 5 February 2018 16:04

Hi [redacted],

Many thanks for sending over the Draft Report for comment and for sharing your results and assumptions on Friday and earlier today.

As previously discussed, we have no substantial comments on the methodology, the final forecasts or the policy costings since the estimates match up with our own modelling. As such, we do not believe that there is a need for a challenge meeting with the Commissioners tomorrow morning.

We will check the report for factual accuracy and will provide our comments (if any) in accordance with the timelines agreed in the protocol.

In the meantime, please feel free to get in touch if there are any other questions.

Thanks,  
redacted

-----  
SFC to Cabinet Secretary 6 February 2018 15:13





PS/Cabinet Secretary,

Please find attached *Scotland's Economic & Fiscal Forecasts - Supplementary Publication - Updated Income Tax Forecasts February 2018* which was published on the Commission's website today at 3pm.

Available at: <http://www.fiscalcommission.scot/media/1215/scotlands-economic-fiscal-forecasts-supplementary-publication-updated-income-tax-forecasts-february-2018.pdf>



Accompanying spreadsheets are available on our [website](#).

Thanks

redacted

---

