ANNEX A

INFORMATION FOR RELEASE

Extract from 2018-19 Capital Borrowing Paper to Cabinet Secretary for Finance

[…]

Recommendations

9. You are asked to:

· Confirm that the National Loans Fund (NLF) be used for SG long term capital borrowing requirements for 2018-19, currently projected to be between £200 and £250 million.

· Agree that the profile for the NLF loan be 10 years on equal repayment (ER) basis (i.e. annuity profile).

[…]

2017-18 Capital and Borrowing Paper

[…]

Conclusion

12. You are asked to;

· Confirm that the National Loans Fund (NLF) be used for SG's long term capital borrowing requirements for 2017-18, currently projected as £450 million.

· Agree that the profile for the NLF loan be 25 years on an equal repayment (ER) basis (i.e. annuity profile).

· Approve this borrowing of £450 million can be finalised now, with the precise date and amount of the drawdown dependent on interest rates available and the latest budget monitoring position, to be approved by the Chief Financial Officer.

[…

Extracts from 2019-20 Capital Borrowing Paper October

[…]

14. This recommendation purely concerns borrowing for 2019-20. Due to time constraints only NLF borrowing has been considered; however, all available options are being assessed for the longer term which will be considered alongside the Capital spending review in 2020 and working within the fiscal principles set out in the medium term financial strategy.

Recommendations

15. You are asked to:

· Confirm that the National Loans Fund (NLF) be used for SG long term capital borrowing requirements for 2019-20.

· Agree that £150-£250m be drawn down in early October 2019, with an assessment of additional borrowing requirements in March based on the budget monitoring position.

· Approve this borrowing, with the precise date, and tenor of the drawdown to be approved by the Chief Financial Officer and Director General Scottish Exchequer.

Extracts from 2019-20 Capital Borrowing Paper

[…]

‘Background

3. In October 2019 the first instalment of 2019-20 borrowing was undertaken; £200m drawn down from the NLF over a 20 year repayment period. This decision was taken to mitigate the risk of interest rate rises from their low position at the time yet leave sufficient flexibility to borrow as required at the end of the financial year given the projected outturn position.’

[..]

Recommendations

16. You are asked to:

· Confirm that the National Loans Fund (NLF) be used for the final instalment of SG capital borrowing in 2019-20.

· Agree that £190-250m be drawn down in March 2020 over a period of 25 years.

· Approve this borrowing, with the precise number of drawdowns, date(s), and tenor to be approved by the Chief Financial Officer and Director General Scottish Exchequer.

[…]

Extract from Borrowing in 2020-21 paper;

[…]

Background

[..]
· All Borrowing to date has been from the National Loans Fund (NLF) and this remains the default position for sources of Capital Borrowing. Resource Borrowing must be from the NLF per the fiscal framework agreement.'

[…]

Extract from Exchequer Board Paper - Fiscal Rules and Policies – March 2019

[…]

Value for money – our use of borrowing and other sources of revenue funded investment will aim to achieve value for money for the taxpayer.

20. To achieve this we will ensure that:
· In considering the sources of borrowing or revenue-funding the Scottish Government chooses to use, the repayment costs are considered alongside other considerations such as the ability to repay over longer periods.
· When a decision on the source of borrowing or revenue-funded investment has been made, they will be used in a manner which results in the lowest possible economic cost to the taxpayer, taking account of prevailing interest rate forecasts over the projected repayment period.
· Resource borrowing has to be undertaken from the National Loans Fund but we will ensure that repayments terms are as short as possible, to minimise servicing costs, subject to the need to smooth resource spending over time.

[…]

Extracts from Exchequer Board Credit Ratings and Bonds Executive Summary December 2019

[…]

10. This analysis shows that from a "raw" financial perspective there are few benefits to the SG from seeking a bond programme as an alternative to NLF borrowing. This is because of the limited capacity afforded within the fiscal framework generally, and exacerbated by the notional borrowing utilising such a large component of headroom.

11. If the SG's capital borrowing capacity were to substantially increase following the fiscal framework review, issuing bonds becomes a much more attractive option.

[…]

Annex B

REASONS FOR NOT PROVIDING INFORMATION

Section 29(1)(a) – the formulation or development of government policy

Exemptions under sections 29(1)(a) of FOISA (the formulation or development of government policy) apply to some of the information you have requested. This exemption applies because disclosure may impact the effectiveness of future policy development and implementation work.

This exemption is subject to the 'public interest test'. Therefore, taking account of all the circumstances of this case, we have considered if the public interest in disclosing the information outweighs the public interest in applying the exemption. We have found that, on balance, the public interest lies in favour of upholding the exemption. We recognise that there is a public interest in disclosing information as part of open, transparent and accountable government, and to inform public debate.

However, there is a greater public interest in high quality policy and decision-making, and in the properly considered implementation and development of policies and decisions. This means that Ministers and officials need to be able to consider all available options and to debate those rigorously, to fully understand their possible implications. Their candour in doing so may be affected and may undermine or constrain the Government's view on that policy while it is still under discussion and development.

Section 30(b)(i) – free and frank provision of advice

Exemptions under 30(b)(i) of FOISA (the free and frank provision of advice) apply to some of the information requested. This exemption applies because disclosure would, or would be likely to, inhibit substantially the free and frank provision of advice to Ministers. The exemption recognises the need for officials to have the ability to advise Ministers freely and frankly. Disclosing the content of the free and frank provision of advice on some of Scotland's borrowing could substantially inhibit the provision of such advice in the future, particularly because these discussions relate to a sensitive issue.

These exemptions are subject to the 'public interest test'. Therefore, taking account of all the circumstances of this case, we have considered if the public interest in disclosing the information outweighs the public interest in applying the exemptions. We have found that, on balance, the public interest lies in favour of upholding the exemptions. We recognise that there is a public interest in disclosing information as part of open, transparent and accountable government, and to inform public debate.

However, there is a greater public interest in allowing a private space within which officials can provide free and frank advice and views to Ministers. It is clearly in the public interest that Ministers can properly provide sound information to Parliament (to which they are accountable), and robustly defend the Government's policies and decisions. They need full and candid advice from officials to enable them to do so. Disclosure of this type of information could lead to a reduction in the comprehensiveness and frankness of such advice and views in the future, which would not be in the public interest