

Item 1 – Email exchange between the Scottish Government’s Director of Fiscal Policy and Constitution and the Chief Executive of Scottish Fiscal Commission. Please note, the attached letter being referred to is Item 2 of this Annex:

From: Ireland (John) (SFC) [Redacted]
Sent: 13 October 2022 10:31
To: Director of Fiscal Policy and Constitution [Redacted]
Subject: RE: For comment ASAP: Building a New Scotland paper engagement - SFC

Lucy

You asked for my comments on the factual accuracy of the extracts from the Building a New Scotland paper.

Extracts 1-3 - no comments

Extract 4 - The extracts as it stands in isolation is in my view accurate. [Redacted]

Extracts 5 & 6 - no comments

Extract 7 - I think it’s more accurate to state that the SFC was established in 2016 by the Scottish Parliament rather than the Scottish Government (following the passage of the Scottish Fiscal Commission Act 2016). [Redacted]

[Redacted]

Extract 9 - no comment

[Redacted]

Extracts 11 - 15 - no comments

Finally, to confirm that I passed on the text of Extracts 8 & 10 to [Redacted]. I also read the text of Extract 4 to our Chair, Graeme Roy. Both have been told that the material was for fact checking, in confidence and not to be discussed with others or passed on.

I’m around till 4 PM today if you need to contact me (and I’ll be working tomorrow too).

I hope this helps.

John

From: O’Carroll L (Lucy) [Redacted] **On Behalf Of** Director of Fiscal Policy and Constitution
Sent: 11 October 2022 13:03
To: Ireland (John) (SFC) [Redacted]
Subject: RE: For comment ASAP: Building a New Scotland paper engagement - SFC

John

Thanks for your email – I appreciate your clear and swift response.

Kind regards

Lucy

[Redacted]

From: Ireland (John) (SFC) **[Redacted]**

Sent: 11 October 2022 13:02

To: Director of Fiscal Policy and Constitution **[Redacted]**

Subject: RE: For comment ASAP: Building a New Scotland paper engagement - SFC

Lucy

Thanks for the call and this letter. I've read the letter now quickly and I think that I will be able to check most of the content myself. I'll pass points 8 & 10 onto **[Redacted]** here - but as extracts, and stressing that he should treat them in confidence and not pass them on with speaking to me.

John

From: **[Redacted] On Behalf Of** Director of Fiscal Policy and Constitution

Sent: 11 October 2022 12:56

To: Ireland (John) (SFC) **[Redacted]**

Subject: For comment ASAP: Building a New Scotland paper engagement - SFC

Dear John,

Thanks again for your time this afternoon to discuss the launch of the third paper in the Building a New Scotland series, which will cover economic, fiscal and monetary issues. As discussed, please find attached a letter which includes all relevant extracts of the paper which refer to the work of the Scottish Fiscal Commission for your awareness, and fact-checking, in advance of publication.

I would welcome any comments that you have on the factual accuracy of the content provided to me by midday Thursday 13 October to meet with publishing deadlines.

Kind regards

Lucy

[Redacted]

Item 2 – Letter from the Scottish Government’s Director of Fiscal Policy and Constitution and the Chief Executive of Scottish Fiscal Commission as referenced in Item 1 of this Annex:

Dear John,

As you’ll be aware, the Scottish Government is publishing a series of papers titled ‘Building a New Scotland’, which together form a prospectus for an independent Scotland, to enable people to make an informed choice about Scotland’s future before a referendum takes place.

It is expected that, as announced by the First Minister on 10 October, the next paper in this series will be published on Monday 17 October, setting out the Scottish Government’s plans for the economy under independence. This will include proposals for the development of an institutional model with an expanded role for the Scottish Fiscal Commission.

In line with the Protocol for Engagement, I am sharing with you all relevant extracts of the paper which refer to the work of the Scottish Fiscal Commission for your awareness, and fact-checking, in advance of publication.

1. “We would set out clear fiscal rules, for example on public sector borrowing, and arrangements for their independent assessment by the Scottish Fiscal Commission”.
2. “A robust institutional framework would be established to support the fiscal strategy, with an expanded role for the Scottish Fiscal Commission and a new Debt Management Office”.
3. “With independence, Scotland will have responsibility for our own macroeconomic framework and for the operation of supporting fiscal institutions. We would expand existing fiscal institutions, such as the Scottish Fiscal Commission and Revenue Scotland.”
4. “Scotland’s current institutional framework is significantly different from that in 2014: new institutions such as the Scottish Fiscal Commission and the Scottish National Investment Bank are already established and operating, with the Scottish Government already performing Exchequer functions for devolved powers and spending”.
5. “A government can establish fiscal credibility in a number of ways [...] independent fiscal institutions, such as the Office for Budget responsibility operating at the UK level and the Scottish Fiscal Commission operating at a Scotland level, can hold governments to account and enhance fiscal credibility and improve performance [see bullet 11 for endnote used]”.
6. “Performance against suite of rules would be assessed annually by the Scottish Fiscal Commission, and the rules would be reviewed, and re-set if necessary, at least once every 5 years.”
7. “In an independent Scotland we would establish institutions that suited Scotland’s needs, including the following alongside an expansion in the economic and finance ministry functions of the Scottish Government:

Expansion of the role of the Scottish Fiscal Commission. The Scottish Government established the independent Scottish Fiscal Commission (SFC) in 2016 to advise on and scrutinise Scotland’s public finances. The SFC currently produces independent forecasts of growth, devolved tax revenues and devolved social security expenditure to feed the Budget process. The OECD’s Independent Fiscal Institutions Review [see bullet 12 for endnote used] praised the SFC’s “many positive results in the two years since its creation [2017-19], building good relationships with stakeholders and a reputation for independent and credible forecasts, and improving the fiscal policy debate in Scotland”. We propose that under independence the

Scottish Government would enhance the SFC's capacity to provide robust, credible forecasts for Scotland and to provide independent analysis of progress towards Scotland's fiscal targets. This would build on work already underway by the SFC to publish their first fiscal sustainability report in 2023 [see bullet 13 for endnote used]".

[Redacted]

9. Endnote 18: Scottish Fiscal Commission (2022) Trends in Scotland's population and effects on the economy and income tax

[Redacted]

11. Endnote 135: International Monetary Fund (2014) Strengthening Post-Crisis Fiscal Credibility: Fiscal Councils on the Rice – A New ;set

12. Endnote 146: OECD (2019) OECD Review of the Scottish Fiscal Commission, p2

13. Endnote 147: The International Monetary Fund and The World Bank (2014) Revised Guidelines for Public Debt Management

14. Endnote 279: Scottish Fiscal Commission (2022) Trends in Scotland's population and effects on the economy and income tax

15. Sources for bullet 8: Projected Population of Scotland (2020-based) | National Records of Scotland (nrscotland.gov.uk), Office for National Statistics (2022) National population projections (accessed August 2022)

Again, in line with the Protocol for Engagement, I should point out that the extracts shared with you are confidential and should be treated as such.

We would welcome any comments that you have on the factual accuracy of the content provided, if possible, by midday on Thursday 13 October 2022 to meet with publishing deadlines.

Finally, we would welcome a discussion on the paper following its publication. Please do not hesitate to get in touch to arrange this.

Kind regards,
Lucy O'Carroll

An exemption under section 38(1)(b) of FOISA (Personal Information) applies to some of the information requested because it is personal data of a third party and disclosing it would contravene the data protection principles in Article 5(1) of the General Data Protection Regulation and in section 34(1) of the Data Protection Act 2018. This exemption is not subject to the 'public interest test', so we are not required to consider if the public interest in disclosing the information outweighs the public interest in applying the exemption.

An exemption under section 30(b)(ii) of FOISA (Free and Frank Exchange of Views for the Purposes of Deliberation) applies to some of the information requested. This exemption applies because disclosure would, or would be likely to, inhibit substantially the free and frank exchange of views for the purposes of deliberation. This exemption recognises the need for Ministers and officials to have a private space within which to discuss issues and options with external stakeholders before the Scottish Government reaches a settled public view. Disclosing the content of these discussions will substantially inhibit such discussions in the future, because these stakeholders will be reluctant to provide their views fully and frankly if they believe that those views are likely to be made public. This would significantly harm the Scottish Government's ability to carry out many aspects of its work, and could adversely affect its ability to gather all of the evidence needed to make fully informed policies/decisions.

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 allowing Ministers and officials a private space within which to communicate with appropriate external stakeholders as part of the process of exploring and refining the Government's policy position until the Government as a whole can adopt a policy that is sound and likely to be effective. This private space is essential to enable all options to be properly considered, so that good policy decisions can be taken based on fully informed advice and evidence. Premature disclosure is likely to undermine the full and frank discussion of issues between the Scottish Government and these stakeholders, which in turn will undermine the quality of the policy making process, which would not be in the public interest. There is also an important public interest in avoiding the loss of stakeholder confidence in cases where they thought they were providing comments in confidence, which would be inevitable if an individual's contribution was released against their wishes.