

**1. What were the circumstances of the decision made by Mr Mackay to furnish FMEL with the loan of £30m?**

On 27 June this year the Scottish Government announced that Scottish Ministers had approved the provision of a commercial loan facility for Ferguson Marine Engineering Ltd (FMEL) of up £30 million.

The facility is designed to enable the shipyard to target investment in repair and maintenance capability and to win business opportunities in areas like ship servicing and repair, low carbon marine projects and decommissioning work.

The loan facility is on fully commercial terms and was made available following detailed prior due diligence undertaken by Scottish Government officials and on the advice of expert external commercial and legal advisers.

**2. Was this at the express request by the Company or offered by the Scottish Government in the first instance?**

The commercial loan facility for FMEL resulted from ongoing dialogue between the Scottish Government and FMEL, and followed a detailed review of the business plan of FMEL.

**3. What approval process takes place in Government for the authorisation of this loan?**

The commercial loan facility for FMEL was subject to all the normal rigorous processes for approval of a commercial transaction of this type.

The Public Finance and Accountability (Scotland) Act 2000 requires of Accountable Officers the need to demonstrate the regularity and propriety of the finances under their stewardship and for the economic, efficient and effective use of all related resources. The Accountable Officer in this instance was the Director General Economy who approved the terms of the loan facility before the proposal was put to Ministers for approval.

**4. When was that [approval process] commenced?**

The approval process and the associated due diligence commenced around the end of April. Discussions between Scottish Government officials and the company concerning FMEL's business plan, financial projections and investment plans were already in train before the detailed due diligence of the loan facility and subsequent approval process commenced.

**5. How long is the loan for?**

The precise terms and conditions of the loan facility are commercially confidential and exempt under section 33(1)(b) – substantial prejudice to commercial interests. The information has commercial value and its disclosure could substantially prejudice the commercial interests of FMEL.

The loan facility has been provided under commercial terms and the Scottish Government's advisers are satisfied that the terms of the loan agreement are in line with market commercial conditions.

**6. What are the agreed contractual conditions applied to this specific loan?**

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**7. What is the agreed interest rate payable by the Company to the Scottish Government?**

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In line with State Aid requirements the Scottish Government along with its commercial and legal advisers undertook thorough and detailed due diligence before agreeing the commercial loan. The Government is satisfied that the terms of the loan agreement are in line with market commercial conditions and that the Market Economy Investor Principle (MEIP) test has been met.

**8. What reporting process has been introduced in this arrangement to ensure that at the end of the term the Scottish Government will receive full repayment of the loan and any interest payments agreed under the contract?**

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The loan facility has been provided under market commercial terms and Scottish Government officials and advisers will carry out ongoing monitoring of the business.

**9. As this is public money being loaned to a private company involved in contracts for the Scottish Government where can members of the public find information on this loan in the public domain?**

The Scottish Government publically announced the loan facility on 27 June and published summary details on the Scottish Government website that same day (<https://news.gov.scot/news/support-for-scottish-shipbuilding>). No other information on the loan has been published by the Scottish Government.

**10. Was this loan to Ferguson Marine Engineering Ltd agreed in any parliamentary debate or committee and if so where can details be found on the decision to award the Company this loan?**

Scottish Ministers are empowered by legislation to provide commercial loans without seeking specific Parliamentary approval in each case. Section 7 of the Industrial Development Act 1982 provides the necessary enabling statutory authority for selective financial assistance to be given to promote industry which will safeguard or develop jobs. The FMEL shipyard is in an assisted area: Ward 2 of Inverclyde is listed as an assisted area in terms of Schedule 2 to the Assisted Areas Order 2014.

The loan facility has not been debated in the Scottish Parliament either in the Debating Chamber or in a Committee session. The Cabinet Secretary for Finance and the Constitution wrote to the Convener of the Finance and Constitution Committee in confidence prior to the public announcement of the loan to inform the Committee.

**11. What conditions have been applied to this loan to ensure that the description of the reason for the loan as shown below are adhered to and not used for any other purpose including using these funds to support the ongoing construction and fit-out of FMEL Vessels known as 'Hulls 801 and 802' which are significantly behind schedule.**

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**12. How was the figure of £30m agreed between the Scottish Government and the Company?**

The commercial loan facility made available to FMEL by Scottish Ministers provides for borrowing of up to a maximum of £30 million. That figure is appropriate to the purpose of the loan and it arose from dialogue and negotiation between the Scottish Government and FMEL and through the expert input of the Scottish Government's external commercial and legal advisers.

**13. What, if any match funding, has been agreed under the contract for this loan?**

The loan facility will operate alongside investment from Clyde Blowers Capital, the owners of FMEL. The precise terms and conditions of the loan facility are commercially confidential and exempt under section 33(1)(b) – substantial prejudice to commercial interests. The information has commercial value and its disclosure could substantially prejudice the commercial interests of FMEL.

**14. What ongoing reporting process has been agreed with the Company for regular updates on the use of the loan?**

A regular ongoing reporting process has been agreed with FMEL and is being regularly carried out by the Government's commercial and legal advisers.

**15. What outputs have been agreed for ensuring this loan is value for money for the public purse?**

The loan has been provided on commercial terms to help FMEL diversify its business and provide working capital. The Public Finance and Accountability (Scotland) Act 2000 requires of Accountable Officers the need to demonstrate the regularity and propriety of the finances under their stewardship and for the economic, efficient and effective use of all related resources

**16. How is the £30m loan being administered to the Company, that is in a single one-off payment or payment by the Government in instalments?**

The loan facility is being paid in instalments according to need and cannot be drawn down in a single payment.

**17. How confident is the Scottish Government that this will provide the benefits to the public purse given that it is nationally recognised that the Company is failing to deliver the contractual requirements for the award to build vessels 801 and 802?**

The loan has been provided on commercial terms to help FMEL diversify its business and provide working capital. The loan will enable the shipyard to target investment in repair and maintenance capability and to win business opportunities in areas like ship servicing and repair, low carbon marine projects and decommissioning work.

The Public Finance and Accountability (Scotland) Act 2000 requires of Accountable Officers the need to demonstrate the regularity and propriety of the finances under their stewardship and for the economic, efficient and effective use of all related resources.

**18. Was Caledonian Maritime Assets Ltd (as the procurement vehicle for Scottish Ministers for ferries and port infrastructure) consulted on at any stage before the loan was awarded to the Company?**

Caledonian Maritime Assets Limited (CMAL) is wholly owned by the Scottish Government and Scottish Ministers are the sole shareholders of CMAL. Ministers and officials are therefore in regular contact with CMAL about a range of matters. Scottish Ministers and officials were bound by a common law duty of confidentiality that prevented wider discussions of the loan facility with CMAL or any other party before it was agreed and announced publically.

**19. Will the Scottish Government's Public Audit and Post-legislative Committee call for representatives from the Company to give evidence to the Committee during the term of the loan to update Members on how the loan is being spent and with what outputs and economic benefits result from the loan?**

The Scottish Parliament's Public Audit and Post-legislative Scrutiny Committee determine their own order of business. For further information on the business of the Committee and plans for future meetings of the Committee please contact the Clerk to the Committee, on 0131 348 5390 or on [papls.committee@parliament.scot](mailto:papls.committee@parliament.scot).